

# Five Years of the New Society

Ferdinand E. Marcos



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OF THE  
NEW SOCIETY

by

**Ferdinand E. Marcos**

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*This book is dedicated  
to the Filipino people*



# Chapter I

## *The Turning Point*

THE coming elections have understandably stirred the entire nation, and for our crisis government which has held sway over national affairs during the last five years, this is a decisive step on the road to political normalization.

The fact that the coming polls will be the first that we will hold in our country since the proclamation of martial law on 21 September 1972 already makes it an event of no ordinary significance. But beyond this fact, there is a larger meaning to the coming polls which makes them unique in our national history.

Whatever the elections may recall for us of the exercise of suffrage in the past, the April 7 voting is no ordinary replication of electoral processes as we have known them; and the verdict that our people are asked to render in these elections will have deep repercussions upon our future course as a nation.

For we shall in fact erect by these elections the structure of a new lawmaking body, inaugurate a new stage in our political

life, and commence our fateful transition from crisis government to a parliamentary system as decreed in our new Constitution.

The holding of national elections is a momentous step. Consequently, it has excited both alarm and expectations among our countrymen. On the one hand, there are those who fear that the elections might result in a national relapse to the political vices of the past, and fearing this, contend that we must continue under the guidance and direction of crisis government. On the other, there are those who welcome the elections and the convening of the Interim Batasang Pambansa as a timely and necessary step in the restoration of democratic processes for which the nation is fully prepared.

Public discussions have since resolved this issue in favor of the holding of national elections. And the crisis leadership has been the first to insist that the holding of elections is the acid test that we must undergo now rather than later, in the interests of promoting our supreme goal of erecting a truly democratic and progressive society.

It lends promise and optimism to this new national initiative that we have taken this step not because of failure or in the aftermath of chaos, but at the crest of a time of fruitful change in our country. Crisis government has not failed us during the interval of five years—indeed its success in building stability and capabilities in our society has enabled us to contemplate this fateful transition in our national life.

What was promised and pledged by the Presidency at the start of crisis government—that our fundamental goal is the promotion of greater democracy and national unity—we now redeem.

But this step, I repeat, is no mere restoration of electoral processes and representative government. The coming elections would be a perilous exercise indeed if they would merely return us to elections and representative institutions as we had known them in the past, and compromise what had taken us so much time and effort to construct over the last five years.

What we envision in this initiative is the permanence and continuity of the reforms that we have launched under the aegis of crisis government. We envision in it the full emergence of a new political order that will give life and sustenance to our national vision of a new society. And it will have permanence and continuity because by the grace of suffrage and representative government, we shall thereby attain a formal mechanism for the exercise of participation and involvement by our people in nation-building and national development.

For this is where the evolution of our affairs as a nation has irrevocably taken us.

Those who all these years have not shared with us this vision of our society and have refused to join us in this epic struggle of nation-building are fully free to exercise in these coming elections their right of dissent and opposition. And we have encouraged them to share with our countrymen their own platform of government by running for office in the coming polls.

For all our people who have borne with us the struggle of erecting a new society, it is important that they perceive the issues of the elections in clear perspective. They must see how the holding of elections and the convening of a new lawmaking body are a necessary consequence of the reforms that they have instituted.

This then is the rationale behind this report.

On the eve of this new decision confronting our people, it is essential that we take stock of what has taken place in our country during the last five years. For only in that context can our people fully weigh the momentous issues before them, the new challenges before the nation, and the kind of responses supremely needed at this time.

And looking beyond the elections, the elected representatives of the people in the Interim Batasang Tambang must take no less than the measure of the five years of crisis government in our country as a first step to fulfilling their charge.

We have lived as a nation through a period of ferment and transition that has manifestly taken us to a new stage in the national enterprise. And it is necessary for both the government and the national polity to confront the climate of new challenges and opportunities in the light of national capacities today. We have in fact to see how much closer we have come to our cherished goal of establishing a new and democratic society, and in that context, we must try to determine what must yet be undertaken by the government and the people to fulfill this signal objective.

This report is an attempt to establish a comprehensive perspective on developments in the national life over the last five years. It is not by any means a mere recitation of what government considers the achievements of national life during the period. Rather, it is an attempt to examine, sector by sector, the problems the nation has endeavored to confront, the programs and policies government has instituted, and the ways government and polity together are succeeding or failing to alter conditions in society.

The key to national vitality and progress will always be the degree of consolidation of purpose and resolve we are able to forge between our people and their government.

Under crisis government, we secured this political bond in a manner we had not known throughout our national history, and the result has been a period of national stability and growth.

Today, this bond must be enshrined in a broader format of government and in a new political order that befits a nation and a people who have known great crises and challenges and have surmounted them.

**The time has come to ask ourselves a fundamental question: How much have we progressed in the making of a new society?**

In a crucial sense—where we began, where we are now, and where we are headed for—are questions which our people

will be asking seriously as they face these first elections under the Crisis Government.

That these elections will be held under martial law conditions is disturbing only to those whose minds remain closed to historical necessity. The fact, however, that ranking members of the traditional opposition are participating in the elections indicates, at least, that whatever their persuasions about martial law, they have confidence in the new political process. They may, of course, raise issues which properly belong to another context, the context, say, of the old society. If only for that possibility, this book acquires a certain urgency.

But of greater urgency is our capacity for understanding our present circumstances. When we speak of a new society, are we specific enough about what makes it new? For, indeed, not all the ills of the old society have been eradicated. One cannot transform a whole society in five-and-a-half years. But the essential point is whether the old order has been effectively replaced, whether the grand strategy of transformation is working. Like many other Filipinos, I believe that there is a basis for thinking that, at the very least, the foundations of a new, better life for all have been laid down. But to simply assert this conviction is not enough; we must go beyond the realm of statement into the realm of reality.

In this book, I propose to answer the fundamental question in six parts, each of which recalls the principles enunciated in two previous books: *Today's Revolution: Democracy and Notes on the New Society I*. By relating the achievements of the Crisis Government to such rubrics as the "rebellion of the poor, the search for equality, the conquest of poverty, the quest for identity, the new political bond and the internal revolution," I am offering the citizen-reader a clear-cut standard for evaluating performance against policy, practice against theory, actuality against principle.

With this book as a guide, the citizen-reader should undoubtedly realize the full meaning of what all societies aspiring to be free hold as desirable — "participatory democracy." He will understand that to be a full participant in the democratic process, he is obliged to know as much as he can about the nature of his society and the workings of his government. There is no room for wilful ignorance or intellectual indolence: to be ignorant and indolent is to be enslaved, not free, no matter how many times he votes.

This suggests, of course, that old society politics placed a premium on ignorance, indolence, and malleability. It was in the interest of the oligarchs and ruling cliques to dull the minds of the electorate with entertainment and bombast while national society inexorably marched to oblivion. The people then were "herded to the polls," distracted with "campaign dirt" rather than enlightened on issues of national significance. Political maturity was measured by the extent to which elections could be called "free and clean," even if these were manipulated by forces and special interests which undermined the national interest.

Now we have established, I think, a new political consciousness by setting up five and a half years ago an agenda for the nation, and involving the people, through the barangays and sanggunians, in its implementation. Consultations with the people through referendums have demonstrated the fact that once allowed to think along significant lines, the people could be decisive and wise. I speak here not of the outcome of the referendums but of the manner in which issues are deliberated upon. This may not be readily perceived by certain citizens who have shied away from the barangays, but any local official who has faced the barangays will attest to the perspicacity and seriousness with which our people take their newly-won power.

Thus we reach the turning point: the elections for the Interim Batasang Pambansa, the precursor, as it were, of the regular Batasang Pambansa. As we have institutionalized people's

power on the basic political level, we are now institutionalizing it on the national political level.

This turning point could only have been reached by first granting to the people a share in social and economic power through the *samahang nayons* and through agrarian reforms, the very foundation of freedom which had been ignored in all the decades before martial law. As every enlightened statesman knows, a political system based on an inequitable social and economic system cannot be democratic, whatever its pretensions in that direction.

Without a genuine identification with the rebellion of the poor, no government can be secure and no human society can endure. Human society is only authentic if all its members acknowledge its sense of social justice as the indispensable condition for the freedom of all.

It is for this reason that I have time and again written down my thoughts: it has never been my purpose to conceal my intentions for our nation and our people. I would not have accepted the burden of martial necessity if my only aim was to police the nation and secure the lives and properties of a few. I accepted my role—staking my own life, the lives of those dear to me, and our sacred honor before the unpredictable judgment of history—because I believed then, as I believe now, that each man, when given the privilege and opportunity, should realize his vision of what is the best possible life for his fellow human beings. For a political leader, the happiness of his people is his self-fulfillment.

But this vision of society—of the good life—that I have been elucidating in all my books, cannot simply be a personal one. It should reflect the sense of many, the “inarticulated intimations” of the great majority. The test may be a silent approval or a resonant one as in free elections.

Thus, I consider the forthcoming elections for the Interim Batasang Pambansa a test of that vision, but, above all, the crucible of our transformation as a people.

By historical chance and circumstance, I have been given the high privilege of leading our nation in the most critical, and, I daresay, dangerous, five years of its history. But more crucial is the fact that our people stood up with me and for me, not so much for the sake of my leadership but for the sake of their future. I have tried to keep faith with that future and now it is theirs—as it has always been theirs—to make.

I hold that the new society is indispensable to that future which is being made now.

This book presents the *now* which bears the seed of our future.

## Chapter II

### *From Survival To Stability*

THE crisis that faced the nation in the latter part of 1972 was only the climacteric of a long series of developments that had steadily sapped the vitality of the national life.

Long before the situation issued in new alarming threats to the security of the Republic, and became a matter of national survival, the seeds of future crisis were already much in evidence in Philippine society. With every passing year, the national economy encountered new pressures on its trade and payments position and almost all sectors of the economy were in decline. Indices of living conditions showed the widening gap in incomes between the rich and the poor. Corruption was rampant in the government bureaucracy, and it accentuated the growing inability of government to cope with the demands of society. While elections were held with regularity every two years, the corruptions of the political process were so deeply entrenched that the parade of officials hardly mattered. On the whole there was deep ferment and restiveness throughout the land, and

by the time the seventies began, the mood of discontent broke into open clamor with the explosion of student unrest.

This unmistakable malaise in the national life impelled me to undertake in 1971 the writing of *The Democratic Revolution*, in which I sought to describe the ills of society at the time and discuss the ways whereby the government and the society might respond effectively to the ferment.

That the course outlined by that work—which called for the radicalization of society through the active exercise of powers and leadership by the democratic system and the government—did not rally the political leadership to action was perhaps foretold by the fact that so much of governmental power was lodged in the very interests that needed reform and uprooting. In any event, the deepening of crisis continued, and by September 1972, no less than the survival of the nation was endangered. And by then, even the reforms I proposed in *The Democratic Revolution* could not suffice to arrest the tide of crisis. Martial law—the ultimate recourse of government—had become the necessity of the hour.

Yet the closeness with which I apprehended the rapid descent of the society into crisis itself helped to shape the thrust of my exercise of emergency powers. While the pressing challenge before government was to ensure its survival in the face of insurgency and rebellion, there was no mistaking the fact that the crisis was rooted in social and economic conditions throughout the country, and only a concerted effort towards development and social change could ensure the country against collapse.

Thus it was, that when I proclaimed martial law, I declared that our fundamental objectives must be addressed to: first, the checking of the insurgency and rebellion, and second, the start of a truly determined effort of building a “New Society.” For an effort aimed merely at meeting the immediate dangers to the authority of government, while potentially capable of

checking the tide of insurgency, would not suffice to arrest the drift and decay of national life.

What has happened in the interval of five years in the political sphere is the fundamental fact that we have not only survived the crisis but have laid also the foundations for our country's continued stability and progress. Public authority is once again respected. Organized threats against its stability have been effectively met and controlled, and crime and anarchy have been checked. At the same time, developments in the international sphere have significantly reduced the threats of armed invasion of the country. And perhaps most important of all, the national government has been able to concentrate the greater part of its time and resources not merely on the task of survival, but on the larger task of nation building.

### *The Struggle for National Survival*

Since the recovery of national independence in 1946, the Philippine Republic has had to contend with a Communist movement intent on wresting power. But it had always been able to defend itself despite the many weaknesses of the political system, and mainly because it could count on a constitutional opposition which counterbalanced the party in power and ensured the orderly transference of public power through free, periodic and popular elections. Largely because of this consensus between the party in power and the constitutional opposition, the democratic processes in the country were maintained despite the apparent failure of successive administrations to effectively deal with the nation's social and economic problems.

By the beginning of the Seventies, however, this system was in severe decay and disintegration, no doubt, it was fueled, by a growing feeling that the system was powerless to effect the needed changes in society. But it was also clear that a segment of the political leadership also saw in the situation an opportunity for winning public power by unconstitutional methods. Mainly

through the machinations of opposition political leaders and the oligarchy that supported them, funds were channeled to various radical groups for the purpose of staging demonstrations and sowing chaos throughout the country and thus undermining the national government.

And it was this abandonment of the fundamental democratic principle of winning public power by constitutional means, and its finding common cause with the Communist insurgency, that constituted the threat to the security of the Republic in 1972. This common front swiftly brought together many groups with different aims and beliefs, but in one objective, they appeared to be united, and this was the overthrow of the national government. Beyond merely sowing popular discontent, which is legitimate enough under a democratic system, the effort to wrest the reins of government now extended to include the sowing of anarchy, rebellion and violence all over the country.

Indeed, throughout the year 1972, there were many in government who held dim hopes for the survival of the democratic political system. A searching analysis of the situation undertaken by the Presidency that year revealed seven sources of threats to the Republic: first, the Communist revolutionary movement, which was now divided into the traditionalists and the Maoists; second, the rightists which sought power by means of a coup d'etat; third, the Muslim secessionist movement in Mindanao and Sulu; fourth, the private armies and the political warlords which were actually the power brokers in Philippine society at the time; fifth, organized crime, which had taken advantage of the situation to entrench themselves; sixth, the oligarchy, which sought by all means to maintain the status quo and effectively stymied government efforts at economic, social and political reforms; and seventh, the foreign interventionists, evidence of whose funding of anti-government groups in the country were confirmed by the government through banks in Japan, Hongkong and the United States.

It was in those circumstances that the national leadership proceeded to organize the government's will to resist and ensure its survival. On previous occasions, it had tried to meet the security threats by calling out the Armed Forces; and in 1971, following the grenade-throwing and bombing incident at Plaza Miranda, which seriously injured almost all the senatorial candidates of the opposition Liberal Party, the government suspended the writ of habeas corpus. But both measures had proven inadequate to check the tide of insurgency and rebellion. It was as a last recourse that the national leadership called upon the extraordinary instrument of martial law to meet the national emergency.

To meet the threats to the security of the state, the national government set as its paramount goal the immediate immobilization and dismantling of the unconstitutional opposition, which included the advocates and perpetrators of rebellion, the conspirators, the separatists, and the various lawless elements, which, although not politically motivated, undermined the authority of government. And it was in this light that counter-insurgency measures were inextricably wedded to the campaign against crime and violence at the start of crisis rule.

### *The Communist Challenge*

By the latter part of 1972, the military arm of the Communist Party had spread from Central to Northern and Southern Luzon, and to the Visayas. In place of the Hukbalahap, the New People's Army became the nucleus of armed rebellion. A determined Maoist-leaning group was in control of the Communist Party of the Philippines. A large cadre base had been built.

Accentuating the challenge was the fact that in the urban centers, particularly in Metro Manila, Communist underground activities had heightened, front organizations had multiplied, and propaganda activities and demonstrations had mounted,

riding on the crest of student activism. University campuses had been infiltrated by radicals, and student organs openly reflected the line of the Communist Party.

To this rising threat, the mass media and the opposition were largely insensitive, and even went to the extent of promoting and abetting the assault on the government. Evidences were subsequently to be uncovered of the collusion of these forces in the attempt to wrest power.

To meet the crisis, our response took the form of the rapid immobilization of the Communist underground in the urban areas and sustained operations by the Armed Forces in Luzon and the Visayas.

These operations against the NPA and the CPP have taken a heavy toll on their leadership, their regulars, their combat service support elements, and on their mass base. The important leaders of the insurgency have been captured during this five-year period, among whom are Communist Party Chairman Jose Maria Sison, NPA chief Bernabe Buscayno, and the renegade Victor Corpus. More significant, perhaps, is the fact that since the proclamation of martial law, the insurgency movement has lost more than 9,000 of its regulars and support elements, two-thirds of whom have surrendered to the government.

Likewise AFP operations, aided by civic action and socio-economic programs, have decimated the estimated NPA mass base of 65,000 in 1973 to only about half as much by the middle of 1977.

In addition, NPA firepower, which had considerably increased during the first two years of this decade, has been reduced substantially.

The leaders of the traditional Partido Komunista ng Pilipinas, for their part, surrendered *en masse* to the government on September 23, 1974, and agreed to dismantle their

military arm, the *Bagong Hukbong Mapagpalaya ng Bayan*. They turned in all weapons and ammunition.

The areas once dominated by the NPA and the BHMB have now been largely pacified. Rural development is very much in evidence in these former dissident strongholds.

### *The Secessionist Movement*

The secessionist movement in Mindanao and Sulu, under the leadership of the Moro National Liberation Front, began to mount a massive rebellious action following the proclamation of martial law in September 1972. It became particularly marked one month after, when the rebels attacked Marawi City. This was followed by a wave of rebel activities in Sulu and Cotabato.

The purpose of such a rebellion was to create an independent separate state out of our islands of Mindanao, Basilan, Sulu, Tawi-Tawi and Palawan and the Malaysian State of Sabah.

Major military operations were launched by the government in response, and by the beginning of 1975 the government counter-offensive had succeeded in driving the rebels to the hills and forced them to adopt guerrilla tactics. As a result, the government was able to launch a concerted rehabilitation and development program in the ravaged areas. This fact notwithstanding, the situation in Mindanao remained serious, as the rebel groups resorted to ambuscades and raids on helpless towns, while avoiding direct engagement with government troops. More alarming was the fact that the MNLF began to kidnap tourists and to hijack vessels to attract international attention.

The secessionist challenge was in a sense different from that posed by the Communist Party and the New People's Army. Firstly, it had grave repercussions on the safety of civilians and entire communities. Since the outbreak of the conflict, civilian casualties have run ten times more than army and rebel losses, and close to 500,000 civilians have been rendered homeless or dislocated by the conflict.

Secondly, foreign intervention has figured in the conflict as the source of arms and weapons for the rebellion. Weapons seized from the rebel forces included crew-served weapons, mortars, rocket launchers, and heavy machine guns, and this formidable firepower made the rebellion so much the less susceptible to rapid resolution.

Thirdly, the setbacks suffered by the rebellion have served to direct it into desperate acts of terrorism, kidnapping and sabotage, and the very instability of its leadership has made it a serious threat to civilian communities in the South.

While government efforts to quell the rebellion and effect a peaceful resolution have generally succeeded, these have been attained at great cost.

The initial stages of the fighting caught us underarmed and undermanned. For we were then engaged in major military operations against the NPA in the north of the Philippines, principally the island of Luzon, and the rapid spread of the rebellion in the South forced us into battle on many fronts. Not surprisingly, we were the defensive at the start of the fighting; we had to withdraw our forces in Mindanao, Basilan, Sulu and Tawi-Tawi into smaller and more consolidated areas; and we had to depend a lot on citizens' action through their Home Defense Unit to stem the tide of the rebellion. In the early months, we practically maintained the whole island of Mindanao with forces sometimes outnumbered 10 to 1 by the rebels.

It also proved difficult at the height of the fighting that the United States held back military assistance, despite the fact that at the time, the US government was three years in arrears under our military assistance agreement. Consequently we were compelled to channel vital funds into the security program from our budget allocations for economic and social development.

Notwithstanding these difficulties, however, military operations in Mindanao succeeded in keeping the situation under con-

trol and, as I have said, by the beginning of 1975, the government counter-offensive had succeeded in driving the rebels to the hills and forced them to adopt guerrilla tactics. The operations were successful partly because of the intensive rehabilitation programs launched simultaneously in the affected areas, which had the immediate effect of strengthening the defenses and cohesion of the civilian communities.

The change in the complexion of the situation in 1975 permitted government troops and agencies to turn their attention the following year to a massive effort to restore normalcy, to rehabilitate communities, and to spur socioeconomic development projects in the affected areas. Commitments to the rehabilitation and development at Mindanao were increased substantially during the year, and many encouraging starts were made towards strengthening local governments in the area, improving infrastructures, and stimulating commerce and industry in the region.

All throughout this period, from 1972 to 1976, the government exerted every effort to find a non-military solution to the conflict. In fact, as early as January 1973, when a Presidential decree was issued granting amnesty to every rebel who would peacefully surrender, peaceful settlement of the conflict was the avowed policy of the national government. Accordingly, many military operations were suspended, and government commanders were directed to negotiate with the rebels and persuade them to return to the fold of the law. The government, moreover, sought the help of the Islamic community in settling the grievances of the rebel groups. Because of the notice served by the Islamic Conference of Muslim Nations as early as 1974 that it was interested in the conflict because of the rebels' false allegations of religious persecution and later genocide, the government was forced to open channels of communications with the Islamic community, several members of whom showed a desire to help peacefully settle the grievances of the rebels. Some

of the leading Islamic nations, too, controlled our critical supply of oil.

I was compelled to send the First Lady, as my personal representative, to Libya, to lay the basis for the termination of foreign support to the secessionists as well as a ceasefire.

As a result of the good faith shown by the government in seeking to negotiate, and despite the earlier failure of peace talks in Jeddah, Saudi Arabia, a ceasefire agreement was successfully negotiated in December 1976 in Tripoli between the Philippine government and the MNLF.

For a while the truce held, but before long hopes that the ceasefire would lead to a full resolution of the conflict gave way to doubts and apprehensions. Violations of the agreement were soon committed by the MNLF, perhaps abetted by the fact that the MNLF lost in the referendum-plebiscite conducted in Mindanao. Initiatives launched by the government for a full resolution met with stubborn MNLF demands for *de facto* secession from the Republic and a blanket authority to decide for itself the character of an independent government in Mindanao and Sulu.

More alarming than rampant MNLF violations of the ceasefire was the group's taking advantage of the ceasefire to steadily build up the number and quality of their troops as well as stocks of firearms and ammunition. This involved intensive recruitment and training of members as well as extortion and robbery. Civilians were ambushed and killed wantonly.

Efforts to meet the ceasefire violations were limited to those provided for in the ceasefire agreement, and they took the character of police operations. In time, however, the violations developed into a new wave of terrorism in Southwestern Mindanao, exemplified by the treacherous massacre of the First Division Commander, General Bautista and his thirty-three men in Patikul, Sulu. He had been invited to a conference by the

rebels. As he alighted from his jeep, he and his officers and men were shot in the back. It was at this point that the full force of police action was launched against the terrorists. This effectively dismantled their headquarters and bivouac areas.

At this stage, the situation in Mindanao has assumed new complications. It is clear, on the basis of recent developments in the area, that the secessionist movement has been fragmented into various isolated groups, and the erosion of its leadership has paved the way for anarchy among its ranks. While the government intends to follow closely the provisions of the ceasefire, it has begun therefore to deal less compromisingly with the Southern terrorists.

The MNLF operations in Mindanao today are less threatening to the security of the state than to civilians in the area. Although the situation is firmly under control, there remain dangers concerning the deterioration of peace and order conditions at some future time. For this reason, the national government today lays great stress on the intensification of police action against terrorists in the area, and the strengthening of the local communities to defend themselves against terrorist attacks.

And it is also in this context that the national government is now moving to erect the structures for effective regional government in Southwestern Mindanao and Sulu, knowing that the vitality of the local leadership will be a pivotal factor in stabilizing the situation.

### *The Rightist Conspiracy*

Both the Communist insurgency and the Secessionist movement were direct and armed challenges to the authority and security of the state, and insofar as they were open, the government could marshall the forces necessary to meet the threats. More insidious as a threat to the stability of government was the challenge posed by rightist groups, because it was in fact

entrenched under cover of the social and political order and its methods of gaining political power were vastly more subtle and covert.

The threat is, of course, well-known to many developing countries which have seen countless coups in their national history. For the Philippines, the danger of a coup d'etat was new, and to some even inconceivable.

Evidence of a new restiveness of the right in Philippine politics first became manifest in 1971, when the rise of demonstrations and urban violence showed overwhelming data that revealed the apparent funding by oligarchs of these radical activities in Metro Manila. Subsequently, a number of assassination attempts on the life of the President showed that they were far from being a random threat, but a virtual effort to take over the government, and the full force of this discovery was made known in the aborted assassination attempt that involved foreign assassins and a number of Filipino businessmen.

The threat did not immediately cease with the proclamation of martial law, though in the event, as was subsequently to be found in documents unearthed by the government, it set back the timetable of the rightist conspiracy. Following the martial law proclamation, a number of politicians, businessmen, and media people attempted to gather together various anti-government organizations into an alliance to dramatize protest against martial law and to pursue their bid for public power.

#### *The Maintenance of Public Order*

Complementing efforts in the area of national security was the implementation of an intensive nationwide campaign against crime and lawlessness and the reorganization of police agencies throughout the country into an Integrated National Police.

The impact of the campaign was most dramatic in the early months of martial law, when government police forces, particu-

larly the Philippine Constabulary, stepped up its efforts to apprehend criminals and lawless elements. Crime indices sharply went down during the first year of martial law, subsequently levelling off at a creditably low rate. In addition, major developments took place during the five-year period with regard to upgrading and professionalizing police forces in the country.

The immediate rationale behind the impressive decline of crime levels during the last five years has been the resolute effort to upgrade and professionalize police agencies and personnel throughout the country. Complementing this was the key program to integrate the police agencies under a single unified command. These two measures—professionalization and integration—underline the conspicuous change in peace and order conditions and define the new directions of law enforcement in the country. After more than two years of implementation, the Police Integration Plan has clearly emerged as the lasting solution to peace and order problems in the Philippines.

### *A Government of Laws*

The situation that required the proclamation of martial law was extreme and critical for the whole society; yet in the event, martial law in the Philippines did not result in the abrogation of judicial processes in the country or in the denial of basic rights to the citizens.

Whatever may be the common conception of martial law—that it is arbitrary and that it represents the rule of the military—our practice and implementation of this provision in the 1935 Constitution has been fully guided by two democratic principles: the supremacy of the civilian government and strict adherence to the rule of law.

Throughout the five-year period under review, our crisis government has been a government of laws and not of men.

Even at the very height of the crisis confronting the nation in 1972, the military remained strictly subordinate to civilian authority. There has been no usurpation or takeover by the military of the purely civilian functions of the government. The duly constituted government and its many agencies remained firmly in control—both as the seat of national decision-making and as the fulcrum of the national effort at reform and development—even when circumstances required the Armed Forces and the police agencies to take concerted steps to meet the tide of anarchy and rebellion.

Not surprisingly, the firm allegiance of the military to the civilian government has constituted one of the major stabilizing forces during the early years of crisis government. For it provided the government the opportunity to tackle squarely the tasks of national transformation via a series of reforms whose scope and range were unprecedented in Philippine history.

As the security situation and peace and order conditions eased to normal, the civilian government progressively consolidated its control over national affairs and the period of national emergency rapidly moved towards one of earnest reconstruction and development.

One of the most telling manifestations of civilian supremacy under crisis government was the continuing and independent operation of the Judiciary.

From the start and throughout the period of crisis government, judicial functions have been mainly reposed in the civil courts of the Philippines. The validity of government acts has remained within the ambit of judicial review. The Supreme Court of the Philippines has functioned as the final reviewing body, entertaining challenges even to the very validity of martial law and the powers of the Presidency.

But even more important than the preservation of the traditional independence of the courts, the period of crisis gov-

ernment became also the occasion for the introduction of major reforms in the administration of justice.

With the ratification of the New Constitution in 1973, administrative supervision over all the courts and personnel passed to the Supreme Court. Previously, supervision over inferior courts was exercised by the Secretary of Justice. In addition to this power, the Supreme Court also received by constitutional mandate the power to discipline erring members of the courts, and by a vote of at least eight members, order their dismissal. Previously, the disciplinary power was lodged in the Presidency, and this had raised questions about the influence of the executive department over the judiciary.

With these new constitutional powers, the Supreme Court proceeded to streamline, reorganize and strengthen the judicial machinery. At present, there are 2,050 inferior courts that are fully functioning in addition to the Supreme Court and the Court of Appeals. Of this number, there are 357 Courts of First Instance, 16 Criminal Circuit Courts, 146 City Courts, 1,460 Municipal Courts, 61 Courts of Agrarian Relations, and 10 Juvenile and Domestic Relations Courts.

Reorganized and streamlined, the civil courts have been able to exercise effective jurisdiction over the great majority of criminal and civil cases. And they have considerably enhanced their capacity to dispose and settle cases, in contrast to the tremendous backlog of cases in the past.

Despite the efforts to strengthen the Judiciary, however, it nonetheless became necessary during the period of national emergency to create military tribunals to tackle special cases related to the rebellion and insurgency. The military tribunals were created immediately after the proclamation of martial law for the purpose of deciding cases concerning military personnel, crimes against public order, violations of the Anti-Subversion Law, violations of the Firearms Law and other crimes directly related to the rebellion and the threats to national security.

The system of military justice was conceived mainly as an emergency measure, and was never intended to supplant the administration of justice by the civilian courts. Indeed the intent and the purpose was for the military tribunal to support and complement the civil administration of justice, with the latter retaining the widest jurisdiction over cases.

Progressively, therefore, over the last five years, the jurisdiction of military tribunals has been gradually limited as the national situation stabilized. On 24 June 1977, I further redefined their areas of jurisdiction to cover only those cases involving national security offenses.

### *The Protection of Human Rights*

But although martial law in the Philippines has strictly adhered to the rule of law, the introduction of crisis government always creates the possibility of abuses. This is not because martial law is inherently susceptible to abuse, but because the situation that requires it—rebellion, insurgency, or anarchy—is far from normal.

Precisely because of this, the crisis leadership was at the start of the emergency anxious to check every possible abuse of authority by a member of government or the military. Measures were taken very early in the emergency to ensure that citizens taken into custody in connection with rebellion or subversion or criminal acts against society are not denied their basic rights or subjected to torture or degrading punishment.

But these precautions notwithstanding, it was not possible to fully cope with every situation and every case that ensued upon the declaration of the state of emergency. The campaign to dismantle the threats to the Republic from both the insurgents and the private armies resulted in the arrest and detention over the last four years of a number of persons, and confiscation of more than half a million privately-held firearms. This was mainly a task entrusted to the military, and its decisive and

purposive action prevented the situation from deteriorating into a violent confrontation, such as has been usually witnessed in other countries where martial law had to be declared. Terrorism and violence were almost instantly stopped in the first three months of martial law throughout the country, except in Southern Mindanao and in various parts of Central Luzon, which represented the main footholds of the insurgency and rebellion against the government.

Subsequently, it came to the attention of the government, largely through the concern of some government officials and private organizations, that there were a number of cases of abuses by the military and even of torture of prisoners. This information led the government and the military at once into a searching review of the military justice system and the administration of detainees. Specifically, the government undertook an investigation of specific complaints about cases of military abuse and torture of prisoners. Secondly, the President ordered a full review of the cases of every detainee, with a view to determining those against whom charges could be filed and those who might be released as the period of emergency eased. Thirdly, the government offered amnesty to all those who showed an earnest desire to return to the fold of the law, to renew their allegiance to the Republic, and who were not charged with murder and like offenses.

Under the code of the administration of detainees established at the beginning of the emergency, all officers, civilian and military personnel are sworn to uphold the following rights of detainees:

1. The right against compulsory testimonial self-incrimination.
2. The right, when under investigation for the commission of an offense, to remain silent, to have counsel, and to be informed of one's rights.

3. The right not to be subjected to force, violence, threat, intimidation, and degrading punishment or torture in the course of one's detention.
4. The safeguard that any confession obtained in violation of the foregoing rights shall be inadmissible in evidence.
5. The safeguard that all interrogations shall be supervised by a commissioned officer not lower than the rank of captain, or by a lawyer not lower than the rank of first lieutenant, or by a supervising investigation agent.
6. The safeguard that a certification shall be signed under oath by interrogators and the supervising officers that during the course of the interrogation the detainee enjoyed his rights, and that there was no form of duress, maltreatment, torture, injury or any other form of harassment committed on the persons being interrogated.

Apart from these rights and safeguards, a system of privileges, a rehabilitation program, and an expeditious system for the disposition of cases were drawn up to govern the administration of detainees.

Despite the measures taken to ensure the humane treatment of detainees, a number of cases have occurred where military personnel abused and even maltreated prisoners in the course of their interrogation. These were revealed in the course of investigating various complaints, many of which were found to be baseless, some however indicating the culpability of military personnel.

Action on these cases has been swift, both in terms of providing remedies to the aggrieved, and in terms of punishing those who were guilty, not only of the grave crimes of torture and cruelty, but of even lesser violations in the administration of detainees. (See Appendix B; Herrera Case).

As of June 30, 1977, 2,083 members of the Philippine Armed Forces had been dismissed from the service and penalized for

various abuses, including the torture and maltreatment of detainees. Of this number, 322 were also sentenced to disciplinary punishment, in cases where the accused were found guilty of maltreatment.

And it bears pointing out that the protection and promotion of human rights in our country has not been concerned only with the rights of accused persons. Significantly, there have been major advances in the sphere of the citizen's social and economic rights.

### *The Consolidation of Political Will*

The timely response against insurgency and rebellion enabled the national government to retain its control of public authority; the sweeping reform and reorganization of governmental administration served to consolidate the political will for change and national development.

The very day following the signing of the martial law proclamation, Presidential Decree No. 1 set into motion an Integrated Reorganization Plan for the executive branch of government.

The plan embodied in substance a government-sponsored bill on reorganization which had failed to pass the Congress for many years. At the same time, it incorporated provisions designed to enhance the effectiveness of the executive branch to mold policies and implement vital programs.

Government reorganization was a program involving many reforms in itself:

First, it provided for a massive effort to rid the service of graft and corruption, which had been for so long the nemesis of governmental change. After a review of the ranks of the service, 6,655 employees were dismissed or retired from the service during the first year of martial law alone. No agency or department was spared from this housecleaning, and the

most affected offices were not surprisingly the Bureau of Internal Revenue and the Bureau of Customs.

Second, the plan provided for a thorough streamlining of the functions and operations of the government, with a view to making the executive branch more responsive and relevant to national needs and goals, particularly the goal of accelerated national development. Some offices were abolished; new ones were created; and still a number of others were integrated to form one agency.

In place of the various economic planning agencies of government, the Plan created one central body, the National Economic and Development Authority, which was charged with the task of formulating and overseeing the national economic development program.

To meet the chronic cereals crisis, the old Rice and Corn Administration was abolished and in its stead, the National Grains Authority was created.

New departments emerged beginning with the Department of Public Information, and the Department of Local Government, and later on, the Department of Tourism, the Department of Industry, and the Department of Natural Resources—some of which were responses to new needs, others as an outgrowth of much bigger departments, for purposes of effecting greater efficiency.

Most important, in every department and agency, a new system of operations, checks and controls was instituted by the plan with a view to making every unit more cohesive, economical and effective.

Third, the reorganization plan created a system for the regional administration of programs. The emphasis given to the concept of the administrative regions became in fact the primary guarantee that government efforts were not to be centered once again in Metropolitan Manila, but that every effort would be

taken to push programs and projects on a national scale. Moreover, it ensured an effective correlation of the various agencies of government not only at national level, but at the level of the regions and the countryside.

Fourth, complementing the regionalization effort, the plan provided for a new role and importance of the local governments—from provincial to barrio level—to decisively change the old system which made every municipality and province the servant of political privilege and influence. A new code would eventually be written for the conduct of local governments, but it was primarily the impetus provided by the national reorganization plan that helped to bring it about.

Finally, as a corollary to the organizational changes in the government machinery, a complementary program to upgrade the quality of the civil service was launched. For the first time, government responded to the need for able managers within the bureaucracy, not only at the level of the departments, but especially at bureau, division and section levels.

The creation of the Development Academy of the Philippines in 1973 laid the basis for the new program. For it soon launched a Career Service Development Program designed to train and equip middle managers in the government service.

Significantly also, the ratification of the New Constitution in January 1973 helped to accelerate the process of administrative reforms. For the Charter constituted three new Constitutional Commissions: the Commission on the Civil Service, the Commission on Audit, and the Commission on Elections, the first two of which were vital cogs in the reform of the Bureaucracy.

The Civil Service Commission, unlike its predecessor, became itself the vanguard of reform of the rank and file. It effected innovations on the system of recruitment, hiring and training of new government personnel. It overhauled the system

of civil service examinations. And it initiated new programs for in-service training.

On its part, the Commission on Audit inaugurated a new auditing system that vastly relieved the government bureaucracy of the old obstacles to efficiency, and at the same time set up new methods for the effective auditing of government expenditures and operations.

One immediate by-product of the Integrated Reorganization Plan was the improvement of revenue collections—which reached unprecedented levels—and the redirection of government finances into truly vital programs. The greater gain, however, was long-term in nature, in that the government machinery assumed greater command and control of its affairs and that it attracted more and more able managers and technocrats into the government service. And it gave substance to the crisis leadership's pledge that it would bring government back to the people.

None of the reforms, however, were attained overnight, and many of the old problems continued to haunt the bureaucracy. As late as the third anniversary of martial law, we still needed to warn the nation of backsliding in government, and of new forms of corruption creeping into the service. Yet the changes in government operations and the effectiveness of government agencies have clearly had a telling effect on the national life. And none of the prodigious reforms achieved in the social and economic spheres would have been possible, if the executive machinery of government had not responded effectively to its tasks. For at the root of all the reforms that have taken place, there is the most fundamental reform of all: the consolidation of the authority of government, and the improvement of the machinery of government control over national affairs.

### *The Reform of the Political Order*

While the initial phase of martial law highlighted changes in the sphere of governmental administration, the latter part

of the five-year period showed a pronounced emphasis on institutional changes in the political order. The pledge of the crisis leadership that martial law would only be temporary, and that in the end it must yield to the effective operations of democratic government, was in itself the prelude for pervasive reform of political life.

This step decreed, however, not the mere restoration of democratic processes or the superficial modification of political institutions; it in fact demanded more substantive changes than could be accomplished overnight. The electoral process, as had been practised and maintained since 1946, had manifestly failed to inject the substance and meaning of the democratic system into the society. The institution of representative government—as exemplified by the defunct Congress and the local councils—did little to represent and fight for the interests of the less privileged sections of society, and not surprisingly it failed to write the kind of legislations and national policies so urgently needed by the country.

It was therefore recognized early after the proclamation of martial law, that for a democratic political system to operate in the country, sufficient foundations must be laid for it, in terms of the real recovery by the people of their control over national affairs.

It was in those circumstances that the concept of Barangay Democracy was laid as the basic vehicle for the achievement of political normalization in the country. The barangay was to be the instrument whereby the people could immediately participate in critical decision-making during the period of crisis government, and at the same time the means whereby the people could erect a mechanism for democratic control of government.

There is a vitality and dynamism to the barangay system today that lends promise to the new initiatives for the holding of national elections to the Interim Batasang Pambansa early

this year and the elections of local officials at the latter part of the year.

In succeeding chapters, I shall have occasion to more fully discuss the significance of the Barangay in our search for more responsive political institutions. Suffice it to say, at this point, that the institution of Barangay Democracy represents a major effort on our part to achieve real, rather than illusory, democratization.

## Chapter III

### *The Revival and Growth of the National Economy*

**I**N the middle of 1972, the nation experienced one of the most disastrous floods to ever hit the country during the postwar period. The calamity served to highlight an already precarious economic situation, which was marked by rising difficulties and imbalances in trade and payments, decline in overall productivity, severe shortages in food supplies, tight credit and insufficient financing, and poor government revenues. The paralysis of the government, accentuated by rising insurgency and anarchy, was paralleled by stagnancy in the national economy. And there was an indelible correlation between the inability of national development efforts to gain headway and the instability of the political situation.

While crisis government therefore was invoked mainly to meet the rising insurgency against the government and to save the Republic from collapse, there was no question that it faced an equally critical test in the management of the national economy

and the promotion of national economic development. For at the root of the national emergency was the stagnation of the economy and the severe social tensions and conflicts that mass poverty and underdevelopment had bred.

This factor served as one compelling rationale for the momentous decision to utilize martial law as a vehicle for national reform and transformation. The restoration of the political authority of the national government must itself serve as a spur for the revival of the national economy and the aggressive promotion of national economic development, otherwise its stability would be surely imperilled. From the consolidation of political will, the integration of national development efforts must follow.

### *A System for Economic Management*

No single decision in the economic sphere at the start of crisis government has had a more pronounced impact on the national economy than the creation of the National Economic and Development Authority. For in that single act, our government took the decisive step to seize the reins of command over the direction of national economic endeavors, and to so constitute itself into what one economist calls "the driving and organizing force of economic growth."

In practical terms, it meant the national recognition for the first time of the need for central planning of national development. Before this fateful step, national development efforts had been inextricably mired in the fragmentation of policy-making activities, in programs that did not go far enough and were feebly implemented, and in needed reforms that failed to pass the halls of Congress. Instead of one central body planning national development programs, we had innumerable agencies in charge of policy-making that did not cohere to form a single-minded approach to the primordial problem of engineering development in the country.

The creation of the National Economic and Development Authority changed all that. With the President himself as chairman of the new body, we brought together under one roof the whole apparatus of economic planning and management in the country. And with the new found authority of the government, we invested in the new body the means and the powers to formulate a national development plan that would be truly a response to national realities.

This effort began with a searching analysis of national economic problems. Why had our development programs failed in the past? Why was the national economy perennially in crisis? How can the economy break out of stagnation and drift?

These questions were foremost in our minds when the National Economic and Development Authority began to formulate the development program for the New Society.

The realization that the nation has never had a central planning body before the creation of the NEDA answered only a part of the question. For beyond the mechanism for control and planning, there was the larger question of determining what kind of policies would really serve to spur the economy into growth. For these policies were non-existent when crisis government began.

For many years, many of these needed policies have been heatedly debated and argued. And in fact, early in my first term in the Presidency, I had presented to the Congress a bill of particulars designed to revive and spur the economy. But they were visions then, not policies enshrined in law.

We saw at this stage that development conceived merely as an increase in the total wealth of the country would not in fact suffice as the answer. Indeed, we doubted whether development plans conceived in these terms would result in national modernization and advance. We had in fact to answer the fundamental need of every Filipino for sustenance. We needed to

provide for the well-being of the whole population. And we needed to attack frontally the real soil of underdevelopment: mass poverty and mass deprivation.

This was a realization that has been considerably reinforced by the thinking of economists like Gunnar Myrdal who have devoted years of study to the problem of underdevelopment in the developing countries. The confrontation of the development challenge cannot be perceived apart from the war against poverty, and all of its many social connotations. Economic growth would be an illusion where it does not succeed in bringing every segment of the population under the scope of change and modernization.

The result of these deliberations and study was the first national development program of the New Society which was rooted in a direct and purposeful attack on mass poverty. And the development strategy adopted reflected an almost total recasting of national economic policies and a pervasive redirection of economic programs and projects.

The economic policy framework that evolved had many aspects, but two are especially important because of the manner they have pervaded and suffused our national development effort.

The first is the nationalistic orientation of our economic policies, which for the first time made of economic nationalism not just a rhetorical slogan, but a practical program for economic growth.

And the second is its focus on the redistribution and democratization of wealth, by emphasizing the advancement of the poorer sectors of society, the meeting of basic needs, and the promotion of capacities for growth at the base of the economy and society.

What has taken place in the key areas of investment, agriculture, industry, employment, and trade in the national economy all reflect links to this signal orientation of the national develop-

ment effort. And it is in only this context that we can truly appreciate the institutional changes effected, the kind of growth we have achieved, and the heightening of all prospects around for the national economy.

### *The Nationalistic Thrust of Economic Policies*

Exercising command and management over the national economy on the part of government has meant ineluctably the gaining of control by Filipinos over their economic life. For government has recognized this principle as its fundamental guide in retrieving the economy from crisis and directing it towards growth and development.

Too much of the national economy was for too long lodged in the control and sway of alien forces. Our foreign trade was exposed to a vicious boom-and-bust cycle originating from the unequal trade between developed and developing countries. The transfer of technology, so vitally needed by national industries to develop, was governed by practices that ensured the dominance of multi-national corporations. The patterns of entry by foreign capital into the country, before the institution of our investment priorities plan, had erected various dysfunctional situations in the economy, even to the extent of preempting Filipino exploitation of their own resources.

But it was essential that an effort to reverse the situation did not dislocate the national economy outright. For there was as great a danger in chauvinistic nationalism, which would discourage altogether the entry of foreign capital so vitally needed by the economy, as in alien control of the economy which would effectively retard the successful realization of national purposes and aspirations.

Accordingly, we evolved a balanced approach to the problem of securing effective national control over the economy.

With the expiration of the Laurel-Langley Agreement in 1974, and consequently the end of parity rights, a signal step

forward was effected in this direction. With due regard for the possible and untoward dislocation of industry, we proceeded to implement the ban on the ownership of real estate by foreigners and foreign enterprises.

Second, we established a new comprehensive policy on investments, which sought to encourage the entry of foreign capital in certain areas and at the same time ensured the equity of Filipino entrepreneurs in joint ventures.

Third, the new investments incentives law served to establish an industrial priorities plan that provided for the growth of new industries, with foreign investments as a major factor in the development effort. One of these key areas was export-oriented enterprises, in which foreign investors were themselves granted attractive incentives to invest in the development of manufactured exports.

Fourth, we erected safeguards for the transfer of technology, among which was the limitation on the stay of foreign managers and experts in the country, the revision of our patent law to correct malpractices by certain multi-national companies, and the promulgation of a decree for the reprint of foreign technical books for use in the educational system.

Finally, we have effected major institutional changes with the principal objective of securing and conserving national control over such key institutions as finance, trade, industry and the like.

It is noteworthy to point out that unlike other countries that proceeded to nationalize their economic life, we have not antagonized foreign capital, but in fact made it an active and dynamic partner in national economic endeavors. We have secured control without creating panic among foreign investors; indeed, they have by these means recognized how much more it is to their advantage to invest in an economy soundly managed and promoted by Filipinos.

### *The Conquest of Poverty*

Nationalism is one face of the national development plan; the focus on the growth and development of the poorer sectors of society is the other.

Attention given to the poor used to be generally interpreted as a device for social sharing of wealth, not as a means for achieving overall growth. Indeed, it used to be contended by business and political leaders that such an emphasis risks the dislocation of our national economy. In our case, however, the stress on income redistribution has been both a means for democratization of as well as a device for economic achievement.

The major social reforms instituted—agrarian reform, cooperatives development, employment generation, community development—are in themselves devices for galvanizing national economic capacities and for spurring the national economy into new feats of productivity. They were not merely means for sharing the *fruits* of production, they were also means for sharing the *burdens* of production.

The issue of this strategy was a massive rural development program, which, since the very beginning of crisis government up to now, has been the major focus of the national development program and has borne the major share of national government expenditures.

The components of this rural strategy are various, and they include accelerated infrastructure development, the massive channeling of credit to the rural areas, the packaging of technology for the farmers, the promotion of small- and medium-scale industries in the countryside, massive employment generation, and the formulation of individual development plans for every region of the country.

In essence, this has meant the full integration of the national economy, to displace the old setup which critically divided the country into an urban sector that was industrialized and a rural

sector that was agricultural. The new development strategy set forth linkages between the two sectors—between industry and agriculture—such that they would reinforce and support each other throughout the development effort.

### *Financing the Development Effort*

Given this basic orientation of the national development plan, the major question then arose: How are we to finance the national development effort? What resources could we marshall in support of the many programs and projects?

It is in this key question of capital-building where national development programs face their greatest test. For if the funds needed to provide fuel to economic development activities are not raised, or raised in insufficient quantities, the whole effort can be short-circuited and no change is then effected.

Our response to this problem was a massive capital buildup program anchored on three sub-programs: first, the capitalization buildup of the financial system; second, the improvement of the financial position of the government; and third, the availment of development assistance from other countries.

Each of these sectors was conceived as capital-generating for the national development effort, and accordingly, measures were implemented to enhance its capacity to channel resources into economic endeavors.

Within the financial system, monetary policies were geared towards a number of set objectives: first, the capitalization buildup and regional dispersal of banking and financial institutions; second, the achievement of the desired savings and investment patterns by the adjustment of the interest rate structure; and third, the allocation of credit resources to agricultural and industrial development.

During the five-year period, efforts were constantly exerted to foster the sound and orderly development, growth and geo-

graphical diffusion of banking institutions to service the banking needs of a wider geographical area and to enhance the effectiveness of monetary policy. More rural banks were established under the Five-Year Rural Banking Expansion Program which targeted the establishment of one rural bank in each municipality or at the rate of 100 banks a year. As of 1977, the number of rural banks established under the program had reached 932, up by 41 percent from that of 1973. On the whole the growth of the banking system took the form of increases in resources and the number of banking offices, as well as improvements in the variety and types of banking services.

Financial institutions which provided direct credit assistance to agriculture and other preferred industries were given easy access to rediscounting and repurchase facilities by the Central Bank. Emphasis was also placed on the internal structure of financial institutions to ensure their stability and viability.

At the same time, linkages with international financial institutions were continuously strengthened via an expanded foreign currency deposit system and the establishment of the offshore banking system.

To bring about desired savings and investment patterns, adjustments in the interest rate structure were made in 1974 and 1976. These adjustments took the form of upward movements in the official interest rate ceilings for savings and time deposits of less than two years maturity. These measures were designed to encourage long-term deposits and investments as well as narrow the spread between regular bank deposits and money market rates. In 1977, a new package of interest rate measures was passed, decreasing effective lending rates and lowering the ceilings on deposit substitute yields. In addition, compensatory measures were also promulgated to offset the decline in lending income of the banks.

Quantitative monetary aggregates recorded during the period reflected to a large extent the monetary directions pursued. Money supply expanded considerably from ₦7.3 billion in 1973 to ₦14.9 billion as of 1977. This was mainly in support of the growth of the economy for the period. Savings and time deposits posted marked leaps from ₦6.8 billion in 1973 to ₦17.6 billion as of end 1977, representing an average annual increase of 26.8 percent. Deposit substitutes similarly registered favorable upward movements reaching ₦11.4 billion in 1977 compared to only ₦4 billion as of December 1973. With individual increases in money supply savings and time deposits and deposit substitutes, domestic liquidity continued to reach higher levels and was estimated at ₦43.9 billion as of 1977. This represented a 24.9 percent annual average increase over the 1973 figure of ₦18.1 billion.

The enforcement of these policies set the stage for the massive channeling of credit resources by the financial system to agriculture and industry. From a level of ₦8 billion in 1973, agricultural credit reached an unprecedented level of ₦18.7 billion in 1976. In similar manner, loans extended under the Small- and Medium-Scale Industry-Industrial Guarantee Loan Fund (SMSI-IGLF) Program grew from ₦7.1 million in 1973 to ₦18.9 million.

In the area of improving the financial position of the government, we stressed at the start the improvement of the revenue collection effort of the government, and as a step to follow it the improvement of revenue utilization for development purposes.

The national revenue base had long been inadequate and neglected, and revenue collections had been further depressed by pervasive graft and corruption. In 1972, total government revenues stood at only ₦6.5 billion.

Revenue reforms were clearly critical if the government was to make good its resolve to spur the development effort. Along

with the massive overhaul of revenue collection agencies, tax reform measures were introduced and these were designed to meet policy commitments such as the need to: increase revenue to finance government priority programs; simplify tax administration; achieve progressivity, elasticity and equity; rationalize grants of incentives; and strengthen local finance.

With the reform measures, the revenue effort of both the national and local governments reached 11.8 percent of GNP in 1973, 13 percent in 1974, 15.9 percent in 1975 and 15.6 percent in 1976. In 1977, total revenue effort is estimated to have reached 15.9 percent. In monetary terms, the total revenue of the national and local governments rose to ₱12.8 billion in 1974 and to ₱20.6 billion in 1976, increasing at a rate of around 32.4 percent. Total revenues have been estimated at ₱25 billion in 1977. Tax revenues were also boosted by the overall increases in economic activities especially by the dramatic improvement in the country's earnings for certain years.

One very effective tool in the tax collection effort was the grant of a tax amnesty, which was utilized both for the purpose of increasing revenues and for cleaning the books of government. So effective was the amnesty that as of 1976, about ₱1.33 billion was collected via this measure.

The taxation of all products, particularly gasoline, has also proved to be a major contributor to government revenues. In 1976, ₱1.2 billion was derived from this source. In addition, this has become an effective control in discouraging the conspicuous consumption of this vitally needed commodity. It may be mentioned also that compared to many oil importing countries, prices of oil products in the Philippines are still low.

The tax system of the country has been attuned to its developmental goals. We have to pay the price for development. Our taxes finance infrastructure, stimulate economic activities, provide better social services and support vital public activities.

The tax system has likewise undergone restructuring not only to raise revenues but to distribute taxes along the ability to pay principal. Thus, relative to other taxes, revenue collections arising from taxes on incomes and profits and property holdings have risen faster at an annual rate of 25 to 30 per cent in the last five years. Other taxes such as the 5 per cent development tax on closely-held corporations, sumptuary taxes on alcoholic beverages and higher taxes for luxury cars have brought about a more progressive tax system. Moreover, administrative requirements for SEC registered and closely held corporations and BOI registered firms to sell part of their stock holdings to their employees and the public respectively have contributed to an improved income and wealth distribution. (See pages 59-61 for discussion of prices of petroleum products).

Finally, the government through the Central Bank availed of compensatory borrowing and resorted to the careful programming of foreign exchange outflows in order to finance priority projects and maintain the economy's growth momentum. This was the only alternative, which I call dynamic flexibility, to the classical approach to inflation: the contraction of the economy and the consequent arrest of growth. Credit, however, is one of the resources of a national economy; to desist from borrowing, albeit controlled borrowing, for its sake, would be a sign of timidity and ignorance.

There are important facts to remember about foreign borrowings. A great bulk of them are private sector borrowings, which are guaranteed by the government. Those availed of at concessional terms are also dependent on concepts of economic viability. Foreign institutions and banks lend only to those with a capacity to pay.

In this, therefore, it can be said that our continuing efforts to tap external resources are based on the soundness of all our economic programs. And a test of soundness is the continuing confidence that our efforts receive in the field of international development finance.

While the external debt continued to grow over the period as a result of development needs, the growth generated enabled us to service our external debt efficiently and to avail of long-term credit abroad. This increase was quite evident in 1976 when a number of major infrastructure and industrial projects, especially the nuclear power project, were initiated.

The increase in debt was characterized also by a growth in long-term credits, and this was a reflection of efforts to rationalize the country's external debt structure. With the institution of a debt management policy, the Central Bank has been able to maintain the debt-service ratio well within the statutory ceiling of 20 percent. The debt service ratio for 1978 is estimated at slightly over 17 percent.

Of vital significance in the generation of external financing for the national development effort were the positive results of our programs to encourage inflows of foreign equity investments in the country. By September 1976, this stood at \$771 million as against the level of \$176 million in 1972.

The stability of the government, the continued growth of the economy and the availability of manpower and raw material resources, including the simplification of investment rules and formulation of liberal repatriation and profit remittance policies, significantly contributed to the appreciable increase in foreign investments.

And the bulk of foreign investments was channeled to the manufacturing sector during the later part of the five-year period, 1973-77.

Likewise, we made significant headway in improving the position of multilateral assistance in national development. About 90 percent of official development assistance granted from 1973 to 1977 were long-term development loans; the rest was accounted for by grants.

The relatively high level of assistance granted to the country was evidence of the growing confidence of the outside world in the economic performance of the country. Among the major financing institutions were the Asian Development Bank (ADB), the World Bank (WB) and the International Development Association (IDA). Japan, Australia, Germany, Canada and the United States likewise extended a considerable amount of assistance during the period.

The country has sought to tap non-traditional sources of external finance like the Middle East and the Asian capital market not only to diversify the country's source of loans and investments but to augment capital flows as well. The establishment of offshore banking units as well as the expansion of foreign currency deposit units of domestic banks considerably widened access to overseas sources of capital funds for economic development, and speeded up the development of Manila as an international financial center.

#### *Budgetary Program*

The improvement of the financial position of the government enabled us to use the national budget as a major tool in implementing the national development strategy. The impressive economic growth of the country in recent years is reflected in the rapid increase in budget levels. From total expenditures of ₱8.6 billion in 1973, the national budget rose by almost four (4) times to reach the ₱32.8 billion level in 1978. Total revenues similarly rose, from ₱7.1 billion in 1973 to ₱28.2 billion in the current year. Net borrowings have likewise increased, from ₱1.5 billion in 1972, to ₱4.6 billion in 1978, reflecting accelerated expenditures for major investment projects. The cost of government has been kept to a minimum in order that additional funds can be channelled to the people in the form of additional capital expenditures.

The choice between current operating expenditures and capital outlays is a difficult one but we have decided to emphasize capital outlays as the best course of action to take for the long-run welfare of the Philippines. If all the projects identified by government agencies are financed by the budget, budgetary levels would have reached about ₱50 billion in 1978. Since available revenues and the maximum level of borrowings that we can prudently enter into is only ₱32.8 billion, we faced the problem of identifying only the highest priority government projects. Among the expenditures which we have always wanted to support is the increase in the level of government salaries. We are even now trying to catch up only with 1976 salary levels in the private sector.

Despite the many demands, however, we have controlled current expenses in order to increase investment outlays. In 1973, expenditures for personnel salaries, supplies and other current operating expenditures were 73.3% of the total. In 1978, the percentage is down to 68.8%. National investment for roads and bridges, irrigation systems, power, and other capital outlays have therefore increased 4.6 times during the five-year period, from a level of ₱2.3 billion in 1973 to ₱10.5 billion in 1978.

The National Power Corporation, the National Irrigation Administration, and other implementing corporations are expected to generate another ₱3.8 billion from operations and loans. This raises capital outlays to a record level of ₱14.3 billion in 1978.

We have adopted a long term approach in both planning and budgeting, anticipating the ever-increasing demands of a growing population and in the realization that rapid economic

growth depends on the implementation and buildup of capital and investment projects.

The traditional emphasis of capital outlays has been on highways, school building construction, and irrigation. It has only been in recent years that priority has shifted to include reforestation, health and other social services, and notably, power and electrification.

The increased cost of imported energy brought about by the oil crisis has underscored the importance of developing indigenous sources of energy and sources that do not rely on imported oil. It is for this reason that we have accelerated oil exploration, geothermal energy projects, mini-hydros and multipurpose dam projects. It is also for this reason that we are now building a nuclear power plant.

Our growing population requires the continuous creation of new jobs. The strategy that we have adopted is job creation through small- and medium-scale industries, notably those that are situated in the countryside, and through intensive agriculture. This approach calls for availability of cheap and reliable energy throughout the country, and is the reason why we have expanded the rural electrification program and a whole range of supportive activities, for infrastructure development and extension work in both industry and agriculture.

Government expenditures are designed to democratize income and to upgrade the depressed areas of the country. Taxes are utilized to support services which benefit the common man. The public school system, feeder roads, the network of government hospitals, farm price subsidies, relief and rehabilitation work, are only a few of the many activities of government that directly reach the poor. The results of this effort are

reflected in the percentage of government expenditures to GNP. In 1973, total government expenditure was 17.5% of GNP. This rose to 18% in 1974, 19% in 1976, and about 20% in 1978.

The redistributive effects of government expenditure are particularly evident in health, education, and agriculture.

The ₱1.1 billion budget of the Department of Health provides, among other things, for the maintenance of the existing 332 hospitals and a nationwide program for the distribution of drugs and medicines to the needy. We note that 323 hospitals are located in the provinces and nine (9) larger ones in Metropolitan Manila. Rural health units are being built throughout the country, a completely new program that was started only four (4) years ago to ensure that health care reaches the entire population. There were 1,739 rural health units in 1977, to be augmented with a ₱30.7 million expenditure program in 1978 for additional units, funded with World Bank assistance.

The education budget of ₱4.2 billion supports the entire public education system and includes ₱200 million for school-building construction and an allocation of almost the same amount for textbook acquisition. The 1978 budget for education comes to ₱89.37 per capita, almost five times what it was in 1965.

The growth of the educational system is shown by the number of elementary schools, which grew from 24,639 in 1972, to 31,358 in 1977 and to an estimated 35,000 in 1978. Vocational and comprehensive high schools now number 3,142 (vs. 505 in 1965), of which 400 are national high schools. There are, in addition, 57 state schools and 42 chartered state colleges and universities.

The minorities and the underprivileged have been directly supported by the state scholarship program and the recently instituted "Study now, pay later" plan. There were 139 state scholars in 1972, a number that has since risen to 1,445 in 1977.

There are about 35,000 elementary schools throughout the country, 400 national vocational and comprehensive high schools, 57 state schools and 42 chartered state colleges and universities. The education budget of ₱4.2 billion supports the entire public education system, including a ₱200 million school building program and a textbook improvement program of almost the same size.

The attainment of Philippine rice self-sufficiency has directly benefited the poor. We have made sure that major support goes into all aspects of food production, including support to agricultural research, extension work, farmer loan, irrigation systems, fertilizer subsidy, improved distribution facilities, and above all the agrarian reform program.

The major irrigation projects of Central and Northern Luzon and in other areas of the country where water resources exist, is a necessary precondition to expanded agriculture. Central Bank lending programs supplement budgetary allocations. The Masagana 99 loans granted by the Central Bank since 1973 have totalled ₱3.8 billion and the amount outstanding as of February 1978 is ₱433 million.

The price stabilization program of government has an even more direct redistributive effect, being granted for key commodities such as fertilizer and rice. The CY 1978 budget provides ₱270 million for the purpose.

We have designed a budget that squarely supports the development of the countryside in a rational and systematic

manner. For the first time, the national development plan has specifically included development strategies for each of the twelve (12) regions of the country. Uniquely determined for each region, the development plans take into account the combination of resources and people in each locality. The 1978 budget has the theme "Countryside Development," underscoring the importance of specific attention to regional development needs and possibilities.

The budgets of the past were not fully region-oriented. Fund releases were made to central offices and were often allocated among the various regions without careful planning. This is no longer the case and I have directed the regionalization of significant activities of the national government, specifically highways, irrigation, waterworks, power and electrification, air transportation facilities, flood control and drainage, port works, school building construction, repair and renovation of hospitals, aid to local schools, reforestation, drugs and medicines, barangay road construction, repair funds for roads and bridges and other activities that are of similar importance to the countryside population.

It should be clear that expenditures are determined not on the basis of preference of one region over another or following a "pork barrel" policy. They are determined, rather, by an overall national development plan that is based on regional development strategies designed and developed in consultation with national and local officials and the local communities concerned.

We began therefore the management of the national economy in 1972 with a clear idea of what was needed to be done in terms of planning and institutional reform, and what was required of us in the way of financing the national development effort.

We dared not entrust our economic future to the hospitable play of economic forces at home and abroad. We saw in private enterprise a vital agent in the development effort, but we recognized that government must take command and lead.'

That our course has been correct; that our policies and strategies have been succeeding—this is to be seen in the record of national economic performance over the last five years. It is best therefore that we turn now to a consideration of those economic indicators that tell of what has taken place in the national economy.

### *Economic Growth and Development*

The performance of the national economy over the five-year period under review is all the more remarkable because it not only started off from crises on the domestic front, but since 1974 has been shadowed by pervasive international economic crises. To the floods and shortages of 1972 were added the cataclysms of a world on the verge of economic chaos, and these did not fail to have heavy repercussions on national economic life, as in the quadrupling of prices of energy supplies, the depression of prices of vital national exports, and the fueling of inflation on an unprecedented scale.

Our response to this tide of crisis was a policy of dynamic flexibility which was designed not only to meet crisis, but to continue rate of expansion and rate of growth.

Responsive economic measures, begun in late 1972 and accelerated in 1973 and 1974, pushed the various economic sectors to attain new feats of productivity and income. And it was in a sense fortunate that the first 18 months of crisis government coincided with rapid recovery of the national economy and a boom in world prices for Philippine exports. What might have happened had the economy not recovered by the time the inter-

national crises set in is only a matter for conjecture now; the fact is that we did not buckle under the pressures.

Timely measures and sound economic management succeeded in cushioning the economy against the impact of crises, and the difficulties were soon met by increased production and supply of basic goods, and upsurge of manufactured exports, which corrected the decline of prices for agricultural exports, price control of basic commodities, tighter monetary and fiscal controls and selective access to credit. And the economy achieved creditable growth rates even at the height of the international crises, and sustained an accelerated movement forward.

The economy from 1973 to 1977 displayed a remarkable capability to maintain its growth momentum despite world economic disturbances. On the average, the total value of goods and services produced in the country (Gross National Product) grew by more than 6 percent annually (at 1972 prices) from 1973 to 1977.

At current prices, GNP increased from ₦71,616 million in 1973 to ₦153,253 in 1977, for an annual growth rate of 20.9 percent.

Per capita GNP (at 1972 prices) rose from ₦1,517 in 1973 to ₦1,724 in 1977. This represents an average annual growth rate of 3.2 percent during the five-year period reflecting an appreciable net increase in GNP and a decline in population growth. At current prices, GNP per capita climbed up from ₦1,785 in 1973 to ₦3,404 in 1977.

Significantly, there was a dramatic change in the economy in 1973, during the first year of the New Society. Real GNP (at 1972 prices) grew at the rate of 9.6 percent—the highest ever attained since 1951. This bullish growth performance was partly spurred by the renewed optimism and confidence under crisis government. The implementation of significant policy and administrative reforms laid the groundwork for a strong

growth foundation. At the same time, the international scene was marked by a world commodity price boom which provided the country a welcome relief from a tight foreign exchange situation. The balance of payments registered an unprecedented surplus of \$664 million and the international reserves reached \$1037 million, a record performance in the post-war period.

A decelerated economic performance was inevitable in the following years as the full impact of the worldwide economic turbulence prevailed. Prices in the domestic market soared, resulting in an inflation rate of more than 30 percent in 1974. Export prices and demand began to weaken, while imports continued to climb, bringing about a reversal in the balance of payments position in 1975.

But the national economy proved highly resilient in the face of crisis.

Productivity continued to increase during the period, offsetting major falls in income from the traditional exports. The investment climate continued to be good. The continuous net inflow of foreign capital in the form of loans and direct foreign investments contained the serious deterioration of the balance of payments position. With the exercise of tight controls, the inflation rate was brought down to about 8 percent from 1975 to 1977. And the unemployment rate was kept at a low level.

Employment increased by about 5 percent annually from 1972 to 1977 keeping pace with the rise in the number of persons to be employed each year. The unemployment rate declined to about 4 to 5 percent during these years, a marked improvement from the historical rate of more than 5 percent. Preliminary estimates for 1977 showed that there were about 7.7 million people employed in agriculture, 2.2 million in industry and 5.4 million in services. Particularly noteworthy was the absorption of 100,000 persons a year in manufacturing employment from 1974 to 1976 after a virtual stagnation during 1970 to 1974. This expansion was partly due to the growth of labor-

intensive production for exports. The increased number of contract workers abroad has also increased tremendously in the last five years with the country gaining more foreign exchange and construction experience particularly in the use of new technologies.

On the whole, the economy remained highly resilient because our policies and measures effectively countered the impact of crises on the domestic economy.

The industrial sector, composed of mining and quarrying, manufacturing, construction, and utilities, topped all other sectors of the economy in growth performance from 1973 to 1977. Manufacturing rose by 14.8 percent in 1973, due largely to the acceptability of the country's locally produced consumer durables in the world market and the increase in government investment incentives in some selected industries like textile, paper and its by-products, and footwear. For the succeeding two years, manufacturing grew slowly and recovered only in 1976 with a 6.6 percent growth performance. Mining and quarrying fluctuated moderately over the 5-year period depending on export prices and the demand situations in the international market. Construction grew at an average rate of around 5 percent during 1973 and 1974, then skyrocketed to 40.1 percent in 1975 as major government infrastructure programs and private construction activities took place. In the utilities sector, electricity and gas were largely responsible for the increase of the sector's net value added which rose from ₱313 million in 1973 to ₱516 million in 1977.

Accounting for around 31 percent of total NDP, the agriculture, fishery and forestry sector turned in a strong performance in 1973. Forestry contributed the largest growth as a result of the tremendous increase in export earnings. To boost the sector's performance, vital programs and projects such as the Masagana 99, Masaganang Maisan, Palayan ng Bayan, National Beef/Carabeef Production Program, Corporate

Farming, Gulayan sa Kalusugan, among others, were undertaken by the government and the private sector. Thus production for the domestic and export markets increased, contributing to the betterment of rural conditions in the country.

The service sector exhibited a compound annual growth rate of 5.6 percent in 1973-77. Contributing to this performance was the notable 8 percent average annual growth rate of the transport, communication and storage sector which was greatly stimulated by the government's infrastructure program and the tourism boom.

One of the more remarkable achievements in 1973-1977 was the dramatic improvement in the investment climate. On the average, gross domestic capital formation grew by 13.7 percent from 1973 to 1977 and accounted for an average 25 percent share of the GNP during the same period. This performance was partly a carry-over of the bullish 1973 economy and of the feverish construction work in public infrastructure and tourist facilities. Construction posted a 53.7 percent expansion rate in 1975, the highest ever attained since the 1950's. Investments in durable equipment also exhibited a creditable performance during these years.

The unemployment rate remained low throughout the period and in 1977, it was posted at 4.1 percent. The government has been quite successful in expanding employment opportunities and in reducing the number of visibly unemployed and underemployed. Of the total work force, 15 years old and over in 1977, 15.3 million were either fully or partially employed. This implies an average annual increase of 4.6 percent from the employment level of 12.8 million obtaining in 1973.

The sectoral distribution of employment reveals that in 1977, 50.3 percent of the employed persons worked in agriculture, down by almost 3 percent from 1973. The industrial sectors accounted for 14.4 percent of the total workers in 1977, higher than the 14.4 percent share in 1973. This reflects the expansion

of jobs in the mining and manufacturing sectors, reflective of the initial success in the promotion of small- and medium-scale industries. The services sector, which absorbed most of the non-agricultural workers who had little or no access to jobs in industrial establishments, accounted for 35.3 percent of total employment in 1976.

The performance of the country's external sector from 1973 up to 1977 reflected the impact of external disturbances on the economy. The Balance of Payments (BOP) registered a record surplus of \$664 million in 1973 as a result of the boom in world commodity prices. But in the following year, the oil crisis and global inflationary pressures affected adversely most of the external market of the country's export products. Hence the merchandise trade gap exhibited a reversal up to 1976. The BOP position still registered a surplus of \$110 million in 1974 but posted deficits of \$521 million and \$160 million in 1975 and 1976, respectively. The inflow of foreign long-term capital to finance priority projects and foreign investments partly contained the serious deterioration of the BOP position.

Philippine export performance reflected the economic situation of its major trading partners. Recession in these countries resulted in slow growth of Philippine total exports with recovery being registered in most recent years. Impressive performance was however registered by non-traditional manufactured exports particularly garments, handicrafts and electrical and electronic components. The value of non-traditional exports increased fourfold in five years' time. These gains stemmed from institutional improvements and incentives offered to exporters. Moreover, the small entrepreneurs in both the urban and rural sectors benefited from these notable achievements.

By 1977, the situation had considerably improved. Thus, a BOP surplus of some \$164 million was attained as a result, among others, of the improving trade conditions for Philippine products abroad. The substantial improvement in current

account transactions, in particular exports, likewise contributed to the foreign exchange surplus, thus, the trade gap was reduced to about \$909 million at the end of 1977.

### *The Infrastructures of Growth*

What is most significant, however, in our national performance against international economic crises is that it was not merely confined to mere holding action. At the same time that we were holding our own against inflation and pressures on our trade and payments, the building of capabilities in the national economy continued unabated and productivity continued to exhibit impressive growth trends.

While other countries were content to hold the line during the period, implementation of the national development plan was not arrested in our country. And this proceeded at such a pace that by the time the height of crisis ebbed, the national economy was in an impressive position to effect a rapid turnaround.

This more than anything else constitutes the real achievement of the national economy during the period, and this is why the economic climate in the country has retained so much confidence and optimism about its prospects here in our country and abroad.

No other program underlines this orientation more clearly than our government's commitment to the infrastructures development program.

The thrust of this policy was to lay the physical foundations for national development. This included the development of rural transport networks, expansion of telecommunications equipment, rural electrification, irrigation and water resources management, as well as construction of school buildings, hospitals and public housing.

From this concerted drive, there emerged a distinctive quality which invariably resulted in the acceleration of infrastructure

projects. This was lodged in the resolve of the government to commit its resources towards the full development of the countryside which could come into effect if the rural areas were afforded more and better infrastructure facilities.

Towards this end, the government has, in five years' time, succeeded in radically changing the physical outlook of the countryside. While not neglecting the continued improvement and installation of roads and bridges, the facilities of the transport system, postal and telecommunications services, and other public services in the cities and other urban centers, the major recipient of this national program has been the rural areas.

I have always believed that the struggle for national development can only be won in the rural areas. This belief is reflected in the fundamental thrust of our national development plan.

Out of total government expenditures during the last five years, infrastructure development accounted for an aggregate investment of ₱22.4 billion or 21 percent. Of the total investment, the transport sector got the largest share, ₱8.3 billion or 37 percent. Following next were power and electrification, ₱6.9 billion or 31 percent; water resources, ₱5 billion or 22 percent; and social physical infrastructure which was allotted the share of ₱2.2 billion or 10 percent of the total outlay for infrastructure development.

Collectively, the accomplishments of the different agencies charged with the ambitious program of infrastructure development have exceeded expectations. More roads and bridges were built during the period than in the years prior to the declaration of martial law; more irrigation systems were installed, greater number of transport carriers were managed, and many more areas covered by telecommunications service and energized through the national electrification program. In addition,

the postal service was improved and modernized. The country's existing ports and airports were improved, contributing greatly to the movement of people, ships and planes and in the intensification of trading activity.

### *The Energy Challenge*

The fruits of the long and painstaking infrastructural buildup was just beginning to be realized in 1972, when the suddenness of the oil crisis hit and put a damper on the momentum of these earlier successes. The sharp rise in the price of oil constituted one of the toughest hurdles in our economic takeoff. The price of crude oil paid by Philippine refiners increased from about \$1.90 a barrel in 1972 to \$12.70. This has caused our national oil bill to jump from \$231 million in 1973 to over \$1 billion in 1977. These sums represent 13% of our total imports in 1973 and nearly one-fourth of total imports in 1977. Today, we use up almost one-third of our exports just to pay for our oil bill.

Consequently, our government has exerted a continuing effort to minimize the impact of crude oil price increases on domestic prices of petroleum products. The drastic increase in crude oil prices in 1973 and the continual price escalations since then have necessitated the continuing imposition of price controls. Government moreover has adopted a *socialized pricing policy* which distributes price increases such that the major burden falls on products that are used by sectors having the greater ability to pay. Accordingly, products that are used by the masses, low-income groups and industrial sector such as kerosene, LPG, diesel fuel oil and industrial fuel oil have been subject to smaller price increases compared to those products used by the higher-income groups such as gasoline and aviation turbo fuel.

The result of this policy has been a moderate fourfold increase in domestic petroleum product prices despite the almost sevenfold increase in crude oil prices. Today, the retail prices of our petroleum products rank among the lowest in the world. Our gasoline taxes are also among the lowest, as the following table will show:

**Comparative Gasoline Retail Prices  
(in ₱/liter)**

**ASIA/PACIFIC**

	REGULAR		PREMIUM	
	Price	Tax	Price	Tax
Manila	1.66	0.58	1.81	0.66
Bangkok	1.45	0.40	1.54	0.40
Kuala Lumpur	2.11	1.03	2.38	1.03
Singapore	2.22	1.12	2.47	1.16
Seoul	2.93	1.92	3.43	2.28
Tokyo	2.87	1.01	3.33	1.01

**EUROPE/SOUTH AMERICA**

London	2.77	1.43	2.85	1.45
Paris	3.38	2.04	3.66	2.18
Rome	4.06	2.93	4.28	3.03
Rio de Janeiro	3.29	0.93	3.94	1.27

Indeed, it is a fact that gasoline taxes have increased substantially all over the world since the 1973 oil crisis, as responsible and concerned governments, especially of the oil-importing countries, sought to promote energy conservation and rational utilization of petroleum fuels. Focusing the burden on gasoline (which constitutes about 20% of our oil consumption) in particular is reasonable since the large part of gasoline consump-

tion is accounted for by private motoring which is both non-productive and a luxury the world can now hardly afford. Consequently, this is now discouraged worldwide through the only effective and democratic way—that is, the price mechanism. Instead, use of public mass transport system is promoted. Buses and freight trucks in the country have been converting to diesel and therefore less affected by gasoline prices.

In view of these considerations, the distribution of petroleum taxes in the Philippines has purposely applied the heavier burden on gasoline according to a socialized pricing scheme, which, on the other hand, minimizes taxes on mass, low-income and industrial products like kerosene, LPG, diesel and fuel oil. Thus, by comparison, the increases in taxes since 1972 are much less for these products as shown below:

	Petroleum Product Taxes (centavos/liter)		
	1978	1972	Increment
<u>Mass, Low-Income &amp; Ind'l. Use</u>			
Kerosene	10.5	2.5	8.0
L P G	10.6	3.0	7.6
Fuel Oil	8.3	0.1	8.2
Diesel	21.0	—	21.0
<u>Higher Income Group Use</u>			
Premium Gasoline	66.5	8.0	58.5
Regular Gasoline	58.5	8.0	50.5
Aviation Turbo Fuel	41.5	2.5	39.0

Notwithstanding the heavier burden on gasoline, domestic prices remain among the lowest in the world today.

Nevertheless, this one single event of 1973 awakened us to the fact that for all its sophistication, an industrial economy remains helplessly vulnerable to the slightest disruption in its fuel supply lines. From thereon, the energy problem became a national priority. I immediately put the entire government machinery to bear upon the one serious flaw in our industrial strategy—this overdependence on imported fuels. We immediately set out to rectify this weakness because the political pulse gave government very little choice. The common man asks of his government only two basic necessities: the first is gainful employment to buy him food, clothing and shelter, and the second is access to electricity which to him represents a visible manifestation of the rewards of his labor.

The provision of electricity, therefore, now ranks as the top infrastructure priority. After schoolhouses had mushroomed, after road networks had opened up new links between the urban areas and the hinterlands, after irrigation canals improved farm incomes, the aspirations of the rural folk experienced a shift. The demands for literacy, social mobility and higher incomes slowly subsided with the proliferation of new classrooms, expansion of road networks and the reality of year-round farming from the many irrigation projects. The popular clamor turned to electricity.

In response, the government pledged in 1972 to supply the rural areas with their electricity requirements under a long-term power development program. The extent of this commitment is best demonstrated by the statistical evidence.

Our population of about 45,000,000 represents more than 6 million typical-sized Filipino families. 1.2 million of these reside in major cities and towns that are already supplied with adequate electric service. In addition to that number, the rural electrification program enabled another 712,000 households in the countryside to also enjoy the benefits of electrification.

When serious implementation of the program first started in 1970, the level of electrification in the country stood at 22.5%. And in the rural areas where most of the population resided, only 10.4% were privileged with power connections. Today, we are close to having one-third of the population served.

For this initial effort, we had mobilized almost ₱1.5 billion in capital investments and set up a government machinery to oversee the implementation. Success will entail much sacrifice on our part but this price represents an insignificant amount when compared to the impact of rural amelioration. However, the pace is relentless. On an average month, we now erect some 6,000 electric poles and string out over 2,200 kms. of distribution lines all around the country. As a result, by year 1977, 550 out of 1,414 towns, and 5,700 out of 34,000 barrios, have been successfully energized. A lot more work remains to be done, but I have no doubt that the work started will be completed in time.

This movement has gathered such momentum that it cannot accommodate a slow-down. What propels this onward surge is the spirit and the pride of the rural people themselves—a spirit that draws from their long-time aspiration and a pride that comes from owning the distribution facilities.

Through the medium of electric cooperatives, we have democratized the ownership of power facilities. These utilities are no longer owned by the local oligarchs or prominent businessmen but by the actual beneficiaries themselves. At least one electric cooperative has been organized in every province. The number now totals 100, and 80 have been energized. We imbue this program with so much optimism that we hope to celebrate the 1 millionth family connection this year. But the optimism ends there. We look back with pride on our successes; but the battle continues to rage.

There are still over 4 million families to take care of and that number will expand with the growth in population. The

targets for the next 10 years seek to push the coverage to another 3.9 million households, narrowing the gap to a nominal minimum. By 1980, 1,343 towns will have been reached. And by 1983, the nights for an aggregate 33,000 barrios will be graced with electric lighting, pushing us just in schedule to meet the overall target of having all barrios energized by 1984.

The effort alone will require ₱5.4 billion in investments. Yet, it is an undertaking that we cannot shy away from. We owe this to our people. Electricity is no longer an economic commodity; it is a *political right*. Our program indicates that our industrial trajectory will bring up the per capita power consumption of 332 kwh today to 686 kwh in 10 years. But this will take some doing.

Installed power generation capacity in the country now exceeds 3,300 megawatts. The power industry itself controls 3,000 MW of this total. By 1987, economic growth targets require an in-country capacity of 8,430 MW. The transmission grids will have to triple its present 4,300 line-kilometers to 12,600 kilometers to enable the widest access to the convenience of this energy form. As a result, capital expenditures will average ₱2.6 billion for every year of this decade.

Self-reliance in power exacts a heavy toll but the dividends will come with the final emancipation of this sector from the continuing bondage of oil-dependence. But what is more impressive is that, because the use of alternate fuels will be site specific, the likely beneficiaries will not be metropolitan residents but the rural people.

By 1987, onstream hydropower capacity will reach 4,210 MW, which is a fivefold improvement over the existing capacity, and puts us halfway through our total hydro potential of 8,000 MW. Most of the activity will concentrate in Mindanao and the isolated areas of Northern Luzon. And the benefits will stay there as well.

In turn, geothermal power capacity will reach 1,045 MW, accumulating acceleratedly from the minuscule 3 MW presently installed in Leyte. We envision the Bicol region, the Davao provinces and the Central Visayas to be the main beneficiaries of this new wonder resource.

Coal power plants will also begin to rise and graduate from 55 MW in 1982 to 260 MW by 1987. The siting initially chosen was the Central Visayas because of proximity to the raw material. With the conversion of cement plants, coal usage will soon reach all areas of the country.

Last and certainly not the least, we have succumbed to the long term lure of nuclear energy. Year 1982 will witness the commissioning of our first nuclear power plant in Luzon. This 620 MW unit will complete our fuel-diversification program for the coming decade.

The over-all endeavor represents an ambitious exercise, by any measure. But mediocrity has never had a place in a war of survival. And it must be clear by now that survival is what the democratic revolution of the New Society is all about.

Therefore, the campaign will continue. Power must and will be delivered. But we can no longer afford to pursue previously-adopted expansion paths that were based largely on petroleum. The realities of oil geopolitics dictate that we should no longer rely on fuel that needs to be imported. We now have to develop energy resources indigenously, and depletion suggested by the physical limitation of oil constrains us even further to look for appropriate fuel alternates and substitutes.

To be sure, we had a premonition of this impending crisis from the earlier warnings aired by savants whom the industrial nations chose to ignore. But we knew even then that we could not afford to emulate the complacency that their affluence allowed.

As early as 1971, we set out to contract the services of a foreign group who possessed the technology and experience, to develop our geothermal energy potentials.

Again in 1972, a year before the oil crisis struck, we proceeded to enact innovative legislation that finally enabled a serious exploration of our domestic oil resources.

The service contract scheme was introduced with the promulgation of Presidential Decree No. 87 as replacement for the concession system of the antiquated Petroleum Act of 1949 which had impeded exploration activities. Under this new system, incentives had been formulated to stimulate wide interest and participation from foreign oil firms. Foreign expertise and high-risk capital were needed to pursue a serious search endeavor. This scheme featured the production-sharing arrangement. Incentives included exemption of equipment, repatriation of capital investments and retention or remittance abroad of foreign exchange earnings in excess of operating requirements.

This new policy prompted a number of American and foreign companies to enter into service contracts with the Philippine government.

With the conviction that petroleum production was indeed a potential consideration, a new era in the search for oil in the country began. A total of 25 contractor consortia joined the speculative search for oil, having been given assurance of a fair return on investment. Latest reports show that 39 exploratory wells have been drilled.

The amounts put in for the past five years totalled ₱1.39 billion as investment against future shortages of imported oil. Search was not in vain; five wells proved the existence of this precious commodity.

These discoveries likewise serve to overcome the negative psychological attitude about the petroleum prospects of the Philippines and much more, these findings will result into a turnout

equal to 10 percent of our present oil consumption of otherwise imported oil by 1979. We will not stop now; in fact, programmed for the next ten years are energy development activities costing five times more than was ever spent for oil exploration.

The discovery of oil prompted the government to re-examine its energy policy within a broader perspective that would include the development of alternative energy resources. The decision to explore other indigenous energy resources was aimed at averting over-dependence on oil, which almost brought the country to the brink of economic dislocation.

Similarly, a national coal policy was also formulated. Participation in the country's coal industry was invoked through the promulgation of the Coal Development Act of 1976. The new legislation provides incentives to both coal products and users. Coal producers were introduced to the production sharing scheme where modern coal mining was encouraged, in contrast to the uneconomical pick-and-shovel operations of the past. The industrial sector was given incentives for conversion to coal use which would stimulate increased coal production.

Technical support groups were set up in order to ensure the maximum recovery from our coal deposits as well as to strengthen efforts in finding new reserves. Production of coal, now at a favorable cost, is slowly displacing fuel oil in the cement industry. Over the past five years, 482,000 metric tons of coal were produced. Projected for the next ten years is the production of 23 million metric tons of coal for which ₱970 million is programmed to be spent.

As an alternate indigenous energy resource, geothermal steam is expected to contribute a significant amount of the country's requirements. The first large-scale exploration for geothermal energy in commercial quantities began in 1971.

The achievement over the past five years in this sector is embodied in a proven steam capacity of 250 MW electricity-equivalent, in five sites that include Tiwi in Albay and Maki-

ling-Banahaw in Laguna. These were the results of a five-year exploration activity costing ₱230 million which includes the drilling of 52 wells with a cumulative footage of 303,000 feet. For the next ten years, a budget of ₱4.8 billion is required to support the programmed generating capability of 1045 MW.

As part of a programmed displacement of oil, the search for uranium has increasingly been given importance. This is envisioned to partially support the first nuclear-powered plant in Bagac, Morong, Bataan by 1982. The past five-year expenditure for uranium exploration was ₱7.4 million which was spent in drilling 56 exploratory holes. While there has been no significant discovery, we have established modest programs costing ₱260 million for the next ten years in the hope of uncovering unexplored potentials.

To complement the oil effort, an accelerated hydropower development program is also being pursued to use at least 85 percent of the total potential over the next 25 years. This program will be very vital to food production, potable water supply, flood control, power generation and navigation.

The country can embark on full-scale hydropower development to harness the electricity-generating potentials of this energy source in view of well-developed local expertise in this field. Except for the production of electro-mechanical equipment, Filipino expertise in hydropower development is almost complete in such aspects as hydroelectric technology, particularly in site investigation, geology, design, construction and plant engineering.

The hydropower program considers this energy source not only as indigenous and nondepletable but also capable of multi-uses, contributing significantly to agriculture, sound forest management, fishery development and recreational activities.

Hydropower development in the past five years added another 150 MW to total generating capacity. A total of ₱451

million was spent. The programmed development for the next ten years will cost P12 billion and shall add 3463 MW of generating capacity to the system.

With a foretaste of future technologies in the energy field, the government also included the utilization of solar energy and non-conventional sources in the energy program to prepare the groundwork for an orderly technological transfusion when the world runs out of fossil fuel.

While technical and other problems still hound the use of solar energy, it is a fact that this energy source could provide the ultimate fuel of the future because it is practically inexhaustible, costs very little to maintain and creates minimal environmental externalities.

An assessment of the Philippine situation shows that solar energy offers tremendous potential for applications of immediate and future relevance. Direct solar energy, wind energy conversion and bio-conversion to fuels are the areas considered to have specific applications with the greatest impact in the near to medium-term. Most of these applications are rural-based, and their introduction in gridless areas will have far-reaching effects on the living conditions of the rural folk.

A long-range program has been drafted for the development of solar energy in the country. Planned projects will span the whole spectrum from bio-gas production out of rural and urban wastes, marsh gas utilization, bio-mass conversion, windmill pumps, solar water-heating and crop-drying, all the way to dendrothermal power systems.

There will be a deliberate concentration in applying what we term "appropriate technologies," adapting foreign experience to suit our peculiar requirements. We chose to leave basic or specialized research for advanced industrial countries to push the frontiers on. The pragmatics of our situation forces the trade-off upon us. We do not possess the adequate expertise

to conduct advanced research, but we have the natural ingenuity to adapt borrowed technology into our particular needs.

Accordingly, we were able to have thirty non-conventional energy projects airborne before 1977 ended and allocated some ₱10 million to this initial effort. For the next ten years, another ₱114 milion has been budgeted to proliferate the recourse to non-conventional energy applications.

All the above attempts at indigenous energy resource deployment will therefore enable the country to expand its power capabilities without needing to rely on importations for our fuel requirements. The gasoline tax has been used and will continue to be used to achieve their objective.

But we realize that the many component activities, however diverse they may seem to be, are also critically interlinked and integral to the outcome. And because this massive endeavor will require enormous infusions of public funds, the need to equip the program with the proper organization and the requisite coordination, become increasingly apparent. Therefore, we added the classic finish to this unfolding saga by signing into law the creation of the Department of Energy to be sole guardian and chief executor of this grandiose master plan.

### *The Development of Agriculture*

Emphasis on rural development meant a new effort to promote and develop agriculture, which forms the rural base of the national economy. In the past, the objectives of modernization led policy planners to lay the stress on industrialization at the expense of agricultural development, in the illusion that the modernization of the urban sector would naturally spread in time to the rural sector.

No policy has done more harm or caused so much imbalance than this mistaken neglect of agricultural development. None

has proved to be more ineffective in the necessary confrontation of mass poverty.

At the very start of crisis government, we laid out a new agricultural development strategy that called for nothing less than increased production in all sectors of agriculture. The immediate goals were to increase the level of agricultural output and to utilize more fully the underutilized agricultural labor force of the country. The long term objective was the rapid development of the rural sector and to provide for viable linkage between industry and agriculture.

The agricultural development strategy for the first plan period, 1973 to 1977, required at the outset critical policy decisions in many areas. First, there was the need for the intensive introduction of new technology into Philippine agriculture. But for the new technology to be fully harnessed for agricultural development, government had to make it truly accessible to the farmers. This required a second major policy decision: the liberalization of credit for agricultural development through the channeling of funds to the agricultural sector, especially the small farmers. (*See Appendix "D"*)

A third policy decision was also necessary—namely the adoption of price support for farm products—in view of chronic seasonal fluctuations in the prices particularly of grains.

Fourth, the new agricultural development strategy required the adoption of a massive infrastructure development program, designed to modernize irrigation systems and road networks throughout the country.

Finally, as a complement to all these new policies, policies designed to alter the agrarian structure were necessary. Basic to this was reform of the system of land tenure which had long kept national agriculture and the farming class underproductive and in chronic crisis. And as a complement to land reform, a new cooperative development program was adopted.

In adopting these major policy reforms, the government received the invaluable support of the private sector—the individual farmer, the banks, the food distribution and processing sectors—and it became possible to conceive of the agricultural development program as a comprehensive and integrated national effort.

The effects of these policies on agricultural output are well-known. Agricultural growth during the period from 1973-77 stands in high contrast to the crisis year of 1972 when various calamities laid havoc on Philippine agriculture. In 1973, significant gains were immediately achieved as a result of vigorous recovery efforts, and this was maintained throughout the plan period, with 1976 and the first half of 1977 exhibiting new advances.

Particularly impressive was the result of the food production campaign, which sought national sufficiency in cereals. For it was a real test of national capacity which the country passed impressively.

Launched in May 1973, Masagana 99, our rice production program, tested in practice our agricultural development strategy. The program for the first time provided for a package of technology consisting of high yielding variety seeds, fertilizer, agricultural chemicals and extension services and massive credit scheme to assist the farmers.

The disastrous floods of 1972-1973 had destroyed 20 percent of our palay crops and production levels settled at only 100 million cavans. After the first year of Masagana 99 in 1974, palay production leaped to 127 million cavans, the highest level ever attained in our country's history at that time.

In spite of the typhoons in 1975, production moved upward by 1.8 percent to 129 million cavans. This local production plus huge carry-over stocks due to importations made the country self-sufficient in rice.

In 1976, another tremendous 8.5 percent leap in production, brought levels to 140 million cavans which meant that we were only one (1) million cavans short of our national requirements. This again plus carry-over stocks made us self-sufficient in rice. In 1977, we finally became fully self-sufficient from production alone by producing a palay crop of 147 million cavans.

The number of farmers covered by Masagana 99 credit totalled 2.34 million from Phase I to Phase IX. Loans granted amounted to ₱3.4 billion, registering a repayment rate of 75 percent.

As a counterpart to the rice production effort, the Masaganang Maisan program was launched in 1974. Its scope included white corn, yellow corn, sorghum, and soybeans, and the goals of the program were to meet the expanding requirements of the animal feeds industry and to provide for the growing human and industrial needs. Annual production was likewise increased, and as of Phase V of the program, a total of 249.7 thousand hectares were planted, representing 104 percent of the target area of 239.8 thousand hectares. In 1977 the Maisan 77 program, a revised version of the Masaganang Maisan program, was launched. The aggregate area planted to corn and feed grains amounted to 49,803 hectares, representing 107 percent of the 46,613-hectare target for Phase I (July to December 1977).

Noteworthy also was the growth of the fisheries and live-stock subsectors, and the fruits of the green revolution, which were also encouraged.

In the area of export production, expansion of productivity was likewise considered a major priority. Sugar production registered an annual increase of 11.8 percent during the five-year period, and copra production was also maintained at a high level. The stage was set for a major agricultural advance in the export production sector, until the fall of export prices in 1975, which caused the subsequent accumulation of

huge inventories. Sugar was particularly hard hit, as prices collapsed to new lows in 1976 and 1977.

To help solve the problem that plagued the sugar industry in 1976, the government opted for the diversification of the domestic use of raw sugar and the adjustment of domestic liquidation prices. Likewise, long term efforts have been taken to reduce the cost of sugar production and to convert marginal sugarlands to the production of more profitable crops like feed grains.

On the whole, the agricultural development strategy succeeded in raising productivity levels. It was particularly significant because it coincided with the introduction of sweeping agrarian reform, which many in the past had long predicted would cause production declines. And it was an encouraging achievement for a country that had long been accustomed to being a food-deficient one.

But most important of all, the success of the strategy commenced the vigorous transformation of the countryside. Rural incomes doubled and trebled during the period. Agriculture proved susceptible to planning, management and intensive stimulation. And a new market emerged for manufactured goods in the country with the surge of incomes in the rural areas.

### *The Challenge of Industrialization*

As I discussed in Chapter IV of the book *Notes on the New Society of the Philippines II* "the pressure exerted on food supply by rapid population growth in the developing country accentuates the need for policy measures to increase substantially the agricultural output of the economy. Yet this very same phenomenon of relentless growth in agriculture compels equally earnest efforts to develop modern industry."

This principle underlines the development challenge before the developing country, and it makes for a certain harmony—

rather than competition—between the drive for agricultural development and the push towards industrialization.

This close correlation between agricultural development and industrialization derives from the conditions and constraints of economic life in the developing country. In this setting, the dominant part of economic effort is devoted to the farming of the land. The majority of the population reside in the rural areas, and incomes and living standards are low partly because of the constriction of economic activity, in part because of antiquated techniques of agricultural production. Throughout the history of a developing country, it is this part of the economy that received the greatest emphasis. And over time, the land open to cultivation reaches more or less its limits of expansion. Advances in agriculture—within the limits set by technical knowledge—may be able to maintain the prevailing income levels or even raise it, but they cannot in themselves accomplish the demanding objective of ensuring higher living standards and higher incomes for the growing population. With every passing year, the high rate of population growth increases the pressures and demands on the developing economy. New additions to the labor force inevitably wind up in agriculture, but without increasing the prospects for agricultural production. Thus the inevitable conclusion is reached: unless these new members in the ranks of the labor force are channeled to productive activities other than agriculture, incomes per head decrease over time. Poverty and stagnation deepen where economic activity is wholly moored to agriculture. It is in this light that industry as an economic activity to absorb the labor surplus becomes the primary means for increasing the general level of productivity in the developing country.

This belief is anchored on the economic tenet that agriculture is subject to diminishing returns whereas increasing returns prevail in industry. Returns from agriculture are limited by the availability of land. But in industry, larger and more rapid advances in productivity are possible, because the effective

utilization of labor is not hampered by cultural and institutional factors.

The objective of economic policy, therefore, from the long-term point of view and in terms of the overriding objective of economic development, is to channel the labor surplus to non-agricultural activities, and to start a rapid drive towards industrialization which shall absorb this surplus.

How this is to be done, how the development of industry is to be pursued in order to realize maximum results, is the central problem of economic planning. The mere effort to industrialize does not constitute a way out of the condition of underdevelopment. Once the choice is made to industrialize, the compelling problem is how to direct industrial growth.

This involves two crucial issues of policy: what products should be produced by modern industry and what technology should be used in industrial production.

The choice of the product mix in the manufacturing sector is conditioned by a wide number of factors. The developing country can produce manufactured goods for domestic consumption, but this effort is heavily constrained by the low consuming power of the population. For industrial expansion to prosper, incomes have to rise, and since the predominant economic activity is agricultural, it becomes all important that agriculture develop. Along these lines, manufacturing can proceed to produce the goods that a developing country normally imports from abroad.

On the other hand, the manufacturing effort can be directed towards the production of export manufactures, and this choice is significantly conditioned by the international trading position of the developing country. Formidable difficulties arise from the fact that the developing country starts from the lower slope of industrial activity. It is a production effort which, because new, raises problems of penetrating the world trading network

with its manufactured goods. Assuming that it is able to marshall the capital necessary to push manufacturing industries, it is arguable whether the quality of the manufactured products will be competitive with the products produced by the more developed countries.

These two types of product mixes reflect two variant directions for industrialization in the developing country, and this is either expressed in an import-substitution policy for industrial expansion (where expansion is directed towards the production of products to replace manufactured imports) or an export-oriented policy (where industrial activity is directed towards the manufacture of goods for export to the world market). Each country chooses the policy suited to its perception of its needs and of the fastest way to promote economic development.

The second major issue of industrial policy is the choice of technology to use in the development of industry. The choice is a critical one because the factor endowments of developed and developing countries are remarkably different.

In the Western world, where industrialization first emerged and has been instrumental in creating the highest living standards in history, industrial expansion has followed a line of development that emphasizes capital intensity. The technology developed has progressively reduced manpower inputs into production with massive inputs of capital and machinery. In economic parlance, modern industry is highly capital intensive in its techniques of production. And this has been made possible by the comparative abundance of capital in the developed countries.

On the other hand, in the setting of the developing countries, the factor mix is entirely different. The developing country commences industrialization with an oversupply of labor and a scarcity of capital. The experiences of the developed countries with industrialization cannot be indiscriminately imported into

the developing country without these considerations in mind. Since labor is cheap and capital is scarce, considerable attention has been devoted in the Third World to fairly labor-intensive technology for industrial expansion. High productivity, it is believed, can be achieved by varying the proportions in which capital and labor are combined to suit the conditions and resources of the developing country.

But for all this predilection for labor-intensive technology in the Third World, there are those development planners who favor capital-intensive technology, because it is believed that this type of technology produces "a distribution of incomes favorable to profits, and in turn, to capital accumulation." Moreover, it is argued that "the very attractiveness of industrialization stems from its promise to bring modern techniques to a backward economy and to embody them in power and machines," and for the most part machinery used in the developing country will have to be imported from the advanced countries. In a certain sense, the basic processes of industrial production are rather rigidly determined by existing technologies in the advanced countries, and labor intensity can only be injected by the developing country in the indirect and supplementary processes of production, such as handling, packaging, and distribution.

Likewise, the factors of capital and labor are not as readily substitutable for one another as is often supposed. There is a general deficiency of skills in the developing country that makes for technological constraints on the industrial production process.

The experience of the developing countries in the drive toward industrialization since their rise to independence has been a process of coming to terms with these factors, in the light of what best achieves their objective of higher productivity, more employment, and general economic development. Along the way, policies have been revised or reversed as the industrialization

drive has proceeded. This is well illustrated in the case of the Philippine effort at industrial expansion.

The development of industry in the Philippines proceeded apace at the start of the 50's when the country sought the rapid expansion of its industrial base and the Filipinization of economic activity. Like most of the new nations that emerged after the war, the country saw in rapid industrialization the key to economic development.

The policy mix that marked this early period of industrial expansion has come to be known as import substitution, but in fact it consisted of many related policies, all of which favored the development of industry.

First, in view of the rising exchange difficulties of the country, the country imposed exchange controls. The allocation of foreign exchange resources was structured to favor the machinery and raw material needs of new manufacturing industries.

Second, the country curtailed the importation of non-essential imports and set up high tariff walls to protect the new industries from foreign competition.

Third, tax exemptions were granted to new and necessary industries.

And finally, credit was extended to the new enterprises at relatively generous terms. The combined savings resources of the government and private financial institutions were funnelled into the industrialization drive.

While the above policies set as their goal the development of industry, their net effect was an industrial strategy directed towards the production of import substitutes, in view of the great difficulties involved in the marketing of manufactured exports. The cutting off of imports from abroad not only saved foreign exchange but erected a wall behind which

industrial expansion could take place. This naturally provided for a ready domestic market for manufactured products. The new industrialists directed most of their activities toward import substitution under these conditions. This was further encouraged by the then overvalued currency.

From the start of the 50's up to the beginning of 1962 when the government lifted controls, industrial development took place at a rapid pace in the Philippines. The share of total manufacturing activity rose dramatically in relation to the total net output of the economy. Almost all the new industrial activities, except for food and garments, registered high rates of growth; and all exceeded the growth of agriculture.

The rapid expansion of industry, however, embodied in itself new problems for the economy. Far from bailing it out of its payments problem, the industrialization drive widened the exchange gap. While the new policies curtailed nonessential imports, they set off heavy importation of machinery needed by the new industries. Moreover, the manufacturing industries were heavily dependent on imports for their raw material needs. The net effect was in fact to increase the demand for imports and to exert greater pressure on the country's balance of payments.

The dwindling of the foreign exchange reserves of the Central Bank as a result of the industrialization drive is reflected by the following figures: in 1950, when the country embarked on import-substitution, reserves stood at \$296 million. Ten years later, this stood at \$120. And in 1962, when decontrol was effected, reserves went down further to \$75. The balance of trade throughout the period showed imports outpacing exports, except in the year 1958 when the country had a favorable trade balance. To finance the excess of imports, the economy drained not only its reserves but resorted to heavy borrowings from the world exchange market.

But foreign exchange difficulties alone did not force the retrenchment of the manufacturing sector. The domestic market orientation of industry had resulted in the concentration of manufacturing industries in and around Manila. This tended to link industries to the rest of the world rather than to the rest of the country. The lagging development of the rural sector also curtailed the development of the domestic market which was so crucial to the new manufacturing industries. By 1962, it became clear to Filipino economists that further industrial development required the stimulation and expansion of the rural sector and a thrust towards the manufacture of goods for exports.

With the decontrol policies of 1962, and the consequent devaluation of the peso, a new attempt to develop agriculture and exports was made. Import demands of industry were reduced, and this served to improve both the country's payments position and reserves. But in the absence of an energetic policy to develop industrial exports, industrial development slowed down.

The new situation set forward new constraints and goals for the further development of industry. In 1970, in view of the necessity of repaying foreign loans and the excess liquidity buildup in the economy and in an effort to start a new program for industrial expansion, the country adopted a new floating rate system. With the decrease in the value of the national currency vis-a-vis foreign currencies, the government now encouraged the establishment of export-oriented industries. At the same time, it made an effort to rationalize and integrate the import-dependent industries.

The retrenchment on import substitution and the thrust in export-oriented industries marked the start of a new orientation in the country's industrial expansion program. It is this slant that has characterized industrial planning and policies since I assumed the Philippine presidency, and particularly since the establishment of the crisis government.

The Philippines' experience with the industrial expansion program of the 50's showed to what extent industry could add to total economic productivity, but at the same time it removed many blinders in national perception of the effects of industrialization on general economic development and the standard of living of the population. The lessons of the early programs laid the grounds for redirection of the industrial strategy of the Philippine economy.

Five conclusions may be made about the results of the early policies for industrial expansion.

First, incentives legislation of the 50's, combined with import and exchange controls, encouraged import substitution as the dominant direction of industrial production. Manufacturing became the dominant industrial activity in the country.

Second, the new manufacturing industries that emerged were highly dependent on imported inputs, both in terms of capital goods and raw materials. The package of policies and incentives encouraged this dependence in making the price of these inputs relatively cheaper than domestic resources.

Third, the very dependence on foreign inputs of the new industries resulted in industry's inability to generate employment of the very resources which the country had in abundance —labor. The factor mix used up more capital resources than it did of labor.

Fourth, import substitution made for easy profitability as a result of the highly protective policies, and this very profitability discouraged industrialists and entrepreneurs from attempting to penetrate the foreign market. The contribution of the manufacturing sector to Philippine exports was largely confined to traditional export products, such as sugar, coconut oil and plywood. Apart from these, practically no new export manufactures were developed.

Fifth, industrial activities spurred by the policies converged in and around Manila and had firmer links with the rest of the world than they had with the rural sector.

All told, these features of the early industrialization program made for a form of growth that was structurally deficient, had little spread effects at all in other sectors, and, therefore, was limited as a catalyst for general and dynamic economic development in the country. While there has been altogether too much illusion and optimism in the Third World about the so-called force of "expansionary stimuli radiating from industrial starts," the initial start, occasioned by import substitution was such that it provided little spur towards development in the other sectors of the economy. But most important of all, import substitution as a policy reached an early ceiling, because the domestic market was not expanding fast enough to support intensive growth in industry.

It may be also that the reason the initial direction of industrial growth was found wanting was not specifically because of import substitution as a policy, but because the industrialization drive was not supported by parallel efforts in other sectors of the economy. What Myrdal has written in regard to industrial programs in developing Asian countries is revealing: "One of the most serious shortcomings of policy in the countries in which comprehensive planning has been undertaken is the failure to plan more ambitiously and on a larger scale, and to supplement the industrialization drive with equally determined efforts in other fields. Undoubtedly, the industrialization drive, which meets very little resistance from vested interests, has often served as an excuse for not pushing harder for reforms in other fields. What these countries need is a program that will induce changes simultaneously in a great number of the conditions that hold down their growth; fundamentally, the task of the planners is to coordinate all of these changes in such a way as to spur development. It is

easy to lose sight of this when goals and targets are assigned 'priorities.' "

The combined result of past policies was a relatively poor pattern of development in the industrial sector. Moreover, the rate of growth of the manufacturing sector's contribution to Net Domestic Product began to taper after the heyday of the 50's: in 1960, the sector accounted for 18.6 percent of NDP; ten years later, in 1970, the share had gone up to 19.2 percent, barely .6 percent growth over a ten-year period.

In designing the new industrial expansion plan, much stress was given to correcting the imbalances generated by the early policies and to restructuring industry in a manner conducive to sound and balanced growth of the national economy. In the new plan, industrial development is approached through the following policies: the promotion of export-oriented industries; the encouragement of labor-intensive industries and techniques of production; the promotion of backward integration in the industrial sector; and the regional dispersal of industries.

The thrust towards manufactured exports derived its impetus mainly from the desire to resolve the country's payments problem, to generate employment, and to increase manufacturing output faster than the growth of the domestic market. Import substitution proved to be a limited direction for industrial growth. The policies applied in order to provide incentives for the production of manufactured products were gathered together in the Export Incentives Act of 1970.

The incentives legislation covered mainly nontraditional manufactures, and excluded items like coconut oil, sugar, canned pineapples and similar products. The incentives included the following: reduced taxes on income derived from exports of these nontraditional manufactures, and exemption from payment of tariff and taxes for any importation of equipment for the manufacture of such exports.

Alongside these measures to encourage manufactured exports, the government set up a trade promotion program that aggressively sought out markets for products.

The choice of labor-intensive technology for industrial production is rooted in the basic factor endowments of the country and is related to the objective of promoting employment and minimizing underemployment. The contribution of industry to job opportunities in the previous decades had been minimal, and for this reason the domestic market was not developed enough to support vigorous expansion in industry. Increasing labor intensity per unit of product is a question of what technology to use in the production process. While there is considerable rigidity in the kind of machinery to be employed for industry, there are also a wide number of areas in the production process in which the labor surplus of the Philippine economy can be utilized to productive advantage. Likewise, labor intensity is deemed as an important consideration in the choice of what to produce, because capital is in short supply while labor is in comparative abundance.

The importance given to the promotion of small- and medium-scale industries was in part an expression of this bias for labor-intensive industry. Such enterprises utilize relatively more manpower than large-scale industry.

Related to this goal of providing for greater labor intensity in industrial production is the policy to promote backward integration in the industrial sector. The importance of linkage was an idea developed by A.O. Hirschman in the course of examining how industrial expansion can induce further investment in other industries, and he spoke of "forward and backward linkage." Backward linkage is said to occur when investment in a certain industry gives rise to further investment in other industries that supply it with inputs. Development is promoted when the inputs in industry are likewise produced by the developing economy,

because it puts indigenous labor and natural resources into productive use.

Backward linkage is considered of high importance in the new plan because of the basic need to strengthen trade relationships between the rural and urban economic sectors, through intermediate industries. The plan stresses that new industries should depend on their inputs from the primary activities of mining and agriculture. For further growth in the industrial sector, it is paramount that agricultural productivity and agricultural incomes rise. Accordingly, special emphasis is given to increasing the domestic content of manufactured products.

The local content thrust of the industrial program is perhaps best seen in the highly modern industry of car manufacturing. In the progressive car manufacturing program, we set as a goal the progressive increase of the proportion of locally made components in the production of the domestic car. The same effort is being exerted in the production of appliances, motorcycles, tractors, and other products.

But the great significance of backward integration lies in the fact that it is securely related to the export promotion program. For export industries tend to be resource-oriented, that is, they originated from the products of agriculture and mining. The final product, therefore, has a positive impact on various sectors of the economy.

Likewise intricately related to the policies of backward integration, export promotion, and labor-intensive technology is the policy to disperse industrial activities from Metropolitan Manila to the rest of the country. Over 60 percent of our manufacturing output is produced in Metropolitan Manila.

The basic strategy for promoting the dispersal of industry is the support of small- and medium-scale enterprises. Because these enterprises are generally involved in the production of

certain components of a product or in the process of marketing a product, their encouragement tends to dismantle the over-concentration of activity in large-scale enterprises based in Manila. The Board of Investments decided to impose conditions, therefore, on the registration of large-scale enterprises. Whenever the Board considers or determines that it is more economical for a small-scale or medium-scale industry to take over a certain aspect of the production process, it imposes the condition that the large-scale enterprise should purchase those inputs from small- and medium-scale industries, rather than manufacture them itself.

The combination of these policies constitutes in our view a rational and integrated approach to the problem of engendering industrial expansion and general economic development. And we proceeded to apply them by undertaking first two specific steps: the rationalization of existing industries and the formulation of industry sector development programs.

The rationalization of existing industries posits the formulation of programs with the participation of the private sector. In line with this, guidelines were drawn up to insure that continuous operation of certain industries would not result in further economic dislocation and overcrowding. Specific guidelines to insure long-term viability and to generate export earnings through the utilization of excess capacity were specifically formulated for such industries as cement, textile and wood products.

The sectoral development programs, on the other hand, specifically spell out the direction envisaged for the development of the industry sector, the form envisioned for such development, the timing of development, as well as the tools required for the implementation of each sectoral program. As of this time of writing, sector development programs had been prepared by the Board of Investments for four industries: textiles, farm machinery, pulp and paper, livestock and feed grain.

Finally, as a key component of the industrialization effort, the Philippines encouraged foreign participation in the development of industry. The overriding need for capital in a setting where it is scarce compels a policy for dynamic capital formation to support industrial expansion. The domestic savings mechanism in itself is not sufficient to supply the capital resources needed for an aggressive development effort. In bidding aggressively for foreign investments, we envisioned these investments as supplementary to Filipino capital and securely tied to activities designed for maximum effect on general economic development.

The foreign investments policy provides encouragement for foreign capital in certain promoted areas of activity. This is tied to the industrial expansion effort, because the promoted areas include pioneering enterprises and export oriented industries. In the Export Processing Zone in Mariveles, Bataan, foreign investments are allowed up to 100 percent ownership in areas specifically promoted by the Government.

It is now possible to make a preliminary assessment of the impact of this new industrial plan on economic development as a whole, through description of the progress of the industrialization effort in terms of what has changed in the industrial sector. Fueled by the network of fiscal, monetary and administrative incentives, the industrial sector has posted significant gains in terms of its contribution to the Gross Domestic Product with an average annual growth rate of 8.4% since 1972.

At the close of 1977, the industrial sector accounted for ₱26,708 million of the total GDP registered at ₱77,709 million (at 1972 prices).

Among the groups comprising the industrial sector, manufacturing which contributes the bulk of industrial output, contributed ₱18,793 million to the GDP or 7.5 percent more than its contribution in 1976 amounting to ₱17,481 million.

In mining, mineral production growth is slow due to the reduced world copper prices and import cutbacks from

Japan. The sector's primary growth area was the emergent nickel industry, wherein a new multi-million peso mining and smelting complex in Surigao started operations in FY 1975.

In the construction sector, the tempo was highly accelerated in the last five years because of the impact of the tourism boom, increases in government construction activities and residential construction. The net value added to GDP by the construction sector grew at an average annual rate of 14.9 percent since 1972.

The significance of developments in the industrial sector does not lie in increments to GDP but in inherent changes in industrial directions, in terms of the utilization of indigenous resources and the rise of new industrial enterprises.

One measure of change is the growing strength of provincial demand for manufactured goods which showed the wisdom of the policy of balanced promotion of agricultural and industrial development. While urban demand slowed down, rural incomes were rising because of the successes of the food production program. The expansion in the rural market enabled manufacturing industries to post further gains in a period of difficulty. Significant increases were posted in the production of electric appliances, transport equipment, metal products, chemicals and paper products for the domestic market.

A second measure of dynamism in the industrial sector was the degree of resiliency demonstrated by the manufacturing sector in the face of inflation and recession. Throughout the period, the sector showed positive growth despite the accelerating prices of imported goods and raw materials, tightness of credit, exchange rate fluctuations, and the decline in demand in the urban and international markets. In the past such difficulties were sufficient to short circuit the industrial effort.

A third important note of optimism was injected by developments in the promotion of small- and medium-scale industries. Significant progress was made in financing these industries; the

loans made by DBP to small and medium industries in the last five years totaled ₱550 million. Assistance by the government in setting up such enterprises in the countryside has also increased rapidly. A total of 4300 small- and medium-scale industries from Northern Luzon to Southern Mindanao have been assisted to file loan applications. Of this number, 1947 have already received their loans totalling ₱292 million.

Industrial investments equity too have risen due to accelerated domestic capital formation and foreign investments. In the last five years, foreign equity investments approved by the BOI totalled ₱3,388 million, more than four times the figure of ₱791 million in the previous five years. Significantly, there has been considerable diversification in the origin of investments. Prior to martial law, 60 percent of foreign investments came from the United States. Since the proclamation, US investments have continued to increase, but they were outpaced by investments coming from Japan, Europe and other countries.

In the field of pioneering enterprises, considerable progress has been made in oil exploration with the recent oil strikes off Palawan. While it will take time to extract the petroleum resources, the breakthrough is of enormous significance to the national economy, because the deposits have been confirmed. The potential effects of this development on the industrial sector are enormous. It promises at the very least an acceleration in the flow of capital into the country and the growth of certain new industries.

In the export promotion program, the plan encouraged the development of new export manufactures and their combined effects on foreign trade are already substantial. Acceleration of manufactured exports occurred as new enterprises commence to export their products in bigger volumes and the Bataan Export Processing Zone goes into high gear. Exports of non-traditional manufactures, led by garments, electronics and handicrafts, totaled close to \$700 million in 1977. Together

with exports of other non-traditional products such as bananas, nickel and others, they formed 30% of the country's total exports of \$3.15 billion in 1977, compared to 9.4% in 1970.

Finally, in a move suggestive of long-term developments, the Philippines has embarked on ambitious regional complementation projects under the policy of regional cooperation with the other members of the Association of Southeast Asian Nations. The scheme provides for the launching of capital-intensive projects, and the advantage of regional action promises a remedy to the traditional handicap of a limited market in the developing country.

It is the future prospects that constitute the brightest side of Philippine industrial development today. What the national development plan has set as growth targets in industry appears today to be capable of fulfillment, and the plan of making manufacturing the nucleus of growth sectors in the economy is realistic in the light of its performance.

I am convinced that the staging process for the national strategy of "consolidation toward rapid transformation" is well set. The country's resource endowments are clearly participating in the new industrialization effort. Stable and productive linkages are being developed between agriculture and industry and the other sectors of the economy. And the generation of capital funds from both domestic and foreign sources has been greatly accelerated.

It makes more sense now for development planners in the country to say that today the economy is capable of moving "toward the 10 percent growth stage, and ultimately toward an industrial society," than it was two decades ago when Filipino leaders ordained an intensive thrust toward industrialization.

## Chapter IV

### *The Search For Equality*

**F**ROM the very start of crisis government, we were confronted with a host of options. We could easily have addressed ourselves solely to quelling public disturbance through the use of police power, much as our leaders in the early fifties did. But as any intelligent observer of national affairs realized then, this would scarcely have made substantial difference, for the underlying causes of unrest—the unrelenting oppression of the many by the few—would have continued to lurk and come back to plague us at some future time.

The profound dissatisfaction of the masses with their lot, the lamentations that had met with indifference in government, found inevitable expression in what I have called “the rebellion of the poor.” In these circumstances, the population steadily lost faith in a government which abided by an unjust order, a government which, by all appearances, identified itself with the status quo.

It was clear that a crisis government founded on martial law could not long survive unless it struck at the roots of discontent, not simply at its manifestations. To have forfeited the

opportunity to reform society under martial law would have been to prolong rather than to dispel the currents of crisis.

The challenge was not to be avoided, and so we resolved that crisis government must be the occasion to create a new society in our country. Crisis government must be committed to the democratization of wealth, the equalization of opportunities, the rectification of social imbalances. While we eschewed the socialist option, we sought to curb unrestrained amassing of wealth by a privileged few at the expense of the many. The poor who constitute the overwhelming majority of our people and their primary problems—poverty itself and the unequal access to the basic necessities of life and to the basic opportunities for self-advancement and development—must be recognized as having primary claims on government policies, programs and resources.

This was to be the new dimension that we would give to the achievement of national development.

We have seen earlier how in the New Society the ratio of government expenditures between rural and urban areas was dramatically reversed in favor of the rural areas and that the principal thrust of the infrastructure and economic development programs was directed towards the development of the rural areas, where the majority of our people live, and the development of agriculture, where they earn their livelihood.

But equally significant is the fact that the social sector has become a principal focus of government programs directly concerned with the tenant-farmer, the laborer, the indigent young, the disadvantaged family and the depressed community. Government expenditures on the social sector averaged 21.1 percent of the national budget from 1973 to 1977. In peso terms, this meant an average allocation of some ₱3.8 billion annually during the five-year period under review. This annual commitment exceeds other government expenditures and is second only to expenditures on economic development.

This new and pronounced social orientation of the government is based on the philosophy that man is not only the means but the end as well of development; that social development is an essential part of national development without which political stability would be impossible and economic growth would in the end be seriously hampered; that progress would be advanced farther and faster if there are more people to advance it because there are more people who share in its blessings. Social development is a principal goal of the government because it is right and necessary.

A perceptible clue to the impact of social policies and programs may be found in the analysis recently made by the Private Development Corporation of the Philippines on the surveys conducted by the National Census and Statistics Office in 1971 and 1975.

The analysis shows a significant shift in income distribution in favor of the lower income households, nationally as well as regionally. Low-income families are those with incomes of less than ₱1,000 to ₱3,999; middle-income, those with incomes from ₱4,000 to ₱9,999; and high-income, those with incomes of ₱10,000 to over ₱30,000.

Nationally, the figures show that in 1971, the low-income households comprised 71.5 percent of the total number of households. In 1975, they comprised only 49.7 percent of the total number of households. Regionally, the shift was also noteworthy. In 1971, the low-income households comprised more than 80 percent in seven regions. In 1975, they comprised less than 50 percent in five of the same regions. The same significant shift was also observed in the rural areas. In 1971, 80.7 percent of rural families belonged to the low-income group. In 1975, only 29.8 percent remained under this category.

Major achievements in the social sector during the last five years consisted of key reforms in landownership and income redistribution, and improvements in the delivery of vital social

services such as health, education, nutrition and welfare. In each of these areas, the crisis government made significant breakthroughs.

### *Land Reform and Agricultural Development*

At the very birth of the New Society, I sought to set in motion the massive reform of the system of landownership in the Philippines and thereby give notice to all of the character and temper of the democratic revolution on which the New Society was based. Five days after the proclamation of martial law, on 26 September 1972, I signed Presidential Decree No. 2 which proclaimed the whole country a land reform area. The following month, on 21 October, I also signed Presidential Decree No. 27 which proclaimed the emancipation of the tenants from the bondage of soil and sought the transfer to them of the ownership of the land they tilled by establishing the instruments and process for such emancipation.

I intended the land reform program which I launched in the first month of the New Society to be comprehensive, because our national social situation called for it, and to be developmental because our agricultural situation required it.

Thus the program had the widest coverage in terms of farmers and farmlands ever affected by a land reform program in our history. It also offered a comprehensive package of services to be made available to the land reform farmer such as credit, agricultural extension, irrigation, cooperatives, rural electrification, small- and medium-scale industries and other supplementary employment opportunities on a scale never before envisioned or carried out.

There had been three major land reform measures undertaken in this century before the massive agrarian reform program of 1972 was proclaimed and implemented.

The first was undertaken by the American colonial regime in the 1900's when it purchased some 160,000 hectares of so-

called friar lands for redistribution and announced a program to promote the homesteading and colonization of new lands. However, the regime's interest in land reform was subsequently abandoned in favor of promoting the rapid growth of agricultural exports through the exploitation of large estates and of coming into an accommodation with the local landed interests on which the new regime considered itself to be politically dependent.

The second consisted of two laws passed in 1954 and 1955 which established a ceiling for landholdings, introduced an equitable formula for crop sharing between the landlord and his sharecropper, provided for the expropriation of big landed estates for redistribution and made available public lands for resettlement. Some 20,000 hectares of land were expropriated and some resettlement areas, particularly in Mindanao, were made available for surrendered Huks and migrating landless farmers and slum dwellers.

The third, and most ambitious, was the land reform program initiated by the Agricultural Land Reform Code of 1963. It reduced the land ceiling established in 1954-1955 from 300 hectares to 75 hectares and later (in 1971) to 24 hectares. It provided for a two-stage conversion of the sharecropper into a leaseholder and the leaseholder into an owner-operator. It further provided for a package of services to be made available to the land-reform tenant in the form of legal assistance, cooperative development, infrastructure development, farm financing, electrification, and agricultural development.

But the Agricultural Land Reform Code of 1963 suffered from serious deficiencies. It provided no timetable for implementation. More grievously, like the land reforms of the past, the program it launched suffered from insufficient administrative and financial support due to the strong political opposition generated by landed interests. Its achievements by 1971, or eight years after the enactment of the Code, were therefore extremely

modest. Some 50,000 sharecroppers had become leaseholders and, of this number, some one-fourth had registered written contracts fixing the rent; also some 4000 leaseholders had become owner-operators.

In great contrast to the earlier program of land reform, the agrarian reform program of the New Society had the effect of abolishing a sharecropping at once and of greatly expanding the number of tenant-farmers and the area of rice and corn landholdings to be immediately affected by land reform.

The land ceiling was reduced to 7 hectares, which placed some 760,000 hectares of landholdings for redistribution and identified some 400,000 tenant-farmers for conversion into owner-operators. Furthermore, for lands 7 hectares or below, in place of sharecropping a leasehold system of legally fixed rents was established. This extended land reform coverage over some additional 520,000 tenant-farmers and some additional 660,000 hectares of landholdings. The total program scope therefore amounted to nearly 1.5 million hectares and nearly 1 million tenant-farmers.

“Operation Land Transfer” is the name given to the land redistribution scheme of the agrarian reform program.

The Land Transfer Certificate gives the tenant-farmer a legal claim to ownership of the land. The recipient of the certificate can also use the certificate as collateral for a farm loan from any financing institution.

Operation Land Transfer is a five-stage process involving: (1) the identification of actual tenant-farmers and their respective landowners and the collection of the past three crop year production data; (2) the sketching and mapping of the individual tenant's farmlots; (3) the printing and distribution of land transfer certificates; (4) the valuation of the land based on the formula of two-and-half times the average harvest of the normal crop years preceding the promulgation of the decree;

and (5) the computation of the landowner's compensation based on one of several payment schemes chosen by the landowner, the most favored of which has been the cash payment of 10 percent and the balance in twenty-five years tax-free Land Bank bonds at 6 percent interest. It is when the tenant-farmer has received his Land Transfer Certificate and the rent he pays is considered as amortization that he is called an amortizing owner.

The Land Bank of the Philippines, a creation of the Agricultural Reform Code of 1963, is the principal financing agency for land reform. Its main function is financing the transfer of land, including collecting amortization payments from the farmer tenants. Its other functions are to direct landlord investments into industry or other productive endeavors and to extend financial and technical assistance to land reform farmers. To enable it to perform these functions, its authorized capital has been increased to ₱3000 million and the government has provided it with close to one billion pesos of paid-up capital.

Operation Land Transfer was at first directed at landed estates of 100 hectares and above and then at estates between 50 hectares and 100 hectares. Subsequently, in October of 1973, it was expanded to cover estates of 24 hectares and above. Finally, it was extended to the remaining landholdings above 7 hectares.

Five years after the promulgation of the tenant emancipation decree, 76 percent of the tenant-farmers and 68 percent of the land areas covered by Operation Land Transfer have been granted Land Transfer Certificates. These represent 258,100 tenant-farmers and some 449,900 hectares of farmland.

Furthermore, some 59,000 hectares valued at ₱418.8 million had been paid for by the Land Bank as of December 1976. These covered a total of 1,544 titles belonging to about 31,093 tenants.

In addition, 1,142 hectares worked by some 1,231 tenants had been covered by 1,656 emancipation patents. This number represents the agrarian reform beneficiaries who had fully paid the total value of their lands before the allowable period of 15 years.

Nearly one-half of all the tenanted rice and corn landholdings are less than 7 hectares in size. The tenant-farmers in these farms comprise close to 60 percent of all tenants. These lands and these tenant-farmers have been placed under the leasehold system.

The leasehold system is a substantial improvement over the previous sharecropping system. Under this new system, the tenant-farmer is given security of tenure and is protected by a legally fixed rent. This rent is computed at maximum as the equivalent of 25 percent of the average normal harvest for the three crop years preceding the date of the contract after deducting production costs. Any net increase in earnings resulting from increased productivity or increased market prices for the products would go to the leaseholder under the old sharecropping system, this would have been divided between the landlord and the tenant.

To date, 100 percent of the over 521,000 additional tenant-farmers covered by the land reform decree are under the leasehold system of tenancy. Of this number, 62.7 percent, representing 326,507 tenants, have written leasehold contracts and the remaining balance is in the process of documentation.

The change in tenure resulting from land transfer (as in the case of the tenant-farmer converted into an amortizing owner) and the effects of the leasehold system (as in the case of the sharecropper converted into a leasehold) by themselves involve a redistribution of land or its produce are, therefore, vital elements in redistributing wealth in the rural areas.

A World Bank country economic report on the Philippines has estimated "that even if there were no increase in productivity and if incomes were affected only by changes in annual payments for the land, the income of a sharecropper who had become an amortizing owner could increase by as much as 80 percent in terms of present value over a thirty-year period... In other words, an amortizing owner's income in real terms could be double than that of a sharecropper's after fifteen years."

The implementation of tenurial reform has meant an increase in the individual incomes of tenant-farmers and in the standard of living of their families. Since they constitute as much as two-thirds of the lowest 40 percent in the national income scale, this redistribution of wealth will also have a significant social and economic impact on the rural areas.

Tenurial reform (Operation Land Transfer and Leasehold Operation) constitutes the core of the initial phase of the agrarian reform program. It is supplemented by an on-going resettlement program.

There are at present 40 settlement projects covering a total area of some 709,263 hectares and resettling some 48,248 families. Some of these settlements are old but rehabilitated and some are new.

Among the ten newly proclaimed settlements, six are located in Mindanao and Tawi-Tawi for rebel returnees and evacuees. In 1976, some 204 families have been resettled. This brings the number of resettled families between 1972 and 1977 to 9,416. Some ₱12 million have been allocated for these settlements to be used for development projects and loan assistance.

Three of the on-going settlements are financed by the World Bank. These are located in the provinces of Agusan del Sur, Bukidnon and Capiz. They involve 13,300 families and cover an area of 77,500 hectares.

There are twenty-one additional resettlement projects which will soon be proclaimed in the Visayas and Mindanao. These projects will involve some 430,000 hectares and initially accommodate 85,000 settler-families.

The rapid growth in population has made land scarce for the first time in Philippine history. Some room, however, exists for the expansion of cultivable land and we are pursuing this option with a view to alleviating the slum and congestion problems in the urban areas and to relieving the plight of the refugees from an area of conflict. But in the long run the problem of scarcity will have to be solved by the more productive use of land.

Agrarian reform is not only concerned with the redistribution of land. It is also concerned with increasing productivity. For this reason, a package of supportive programs is being made available to the tenant-farmers.

For this reason, the land reform farmer is a major participant in the more comprehensive rural and agricultural development programs of the government and a major beneficiary of the package of supporting services and measures made available by these general programs.

Since more than one-half of the land reform areas are without irrigation, the *ten-year irrigation program* of the government, begun in 1975, to cover 130,000 hectares of farmlands every year for the next 10 years, will have a great impact on the productivity of the land reform farms.

*The agricultural extension program* of the government conducted by some 23,000 technicians in the various agricultural agencies is making modern agricultural methods available not only to the small farmers in general but to the land reform farmers in particular.

Of special relevance to the land reform farmer is the Department of Agrarian Reform's Intensive Farming Project which aims to educate on a rice culture system which can provide year-round employment to small farm family members while maximizing production and income per unit area. There are now 39 projects/demonstration farms of this type with an aggregate area of 38,000 hectares established in all twelve regions of the country.

*Supervised agricultural credit* has been made available on an unprecedentedly wide scale since 1973. In addition to the Agricultural Credit Administration and the Land Bank of the Philippines, there are some 900 rural banks and some 160 branches and 120 mobile banks of the Philippine National Bank through which government-sponsored agricultural credit is channelled. A Central Bank directive has required 25 percent of all loanable funds from private commercial banks to be allocated for agricultural credit, of which not less 10 percent should be reserved for agrarian reform. During the period under review, the Masagana 99 and the Masaganang Maisan programs have served as the major vehicles for supervised agricultural credit and agricultural extension services. Approximately 40 percent of the land reform farmers are participants in these programs.

The organizational capacity of the land reform farmers for mutual help, for effective utilization of government assistance and for achieving higher economies of scale in their farming operations, has also been a major concern of the government and is an important component of the agrarian reform program. The building of cooperative structures has been actively promoted by the Department of Local Government and Community Development as well as by the Department of Agrarian Reform.

All land reform farmers today are required to join a *Samahang Nayon* (Barrio Association). These barrio organiza-

tions are granted corporate status and they can exercise rights to own or dispose of property and enter into contracts. Their members are required to take 65 weeks of instruction on cooperatives, agricultural practices and farm management.

The *Samahang Nayon* is envisioned to evolve into a component unit of a large full-fledged cooperative.

As of December 1976, the DLGCD reported about 20,000 *Samahang Nayons* organized throughout the country with a total membership of more than 927,000 farmers. This number of *Samahang Nayon* represents 97.6 percent of the target and the actual membership represents 46.3 percent of the total expected volume of membership. The number of registered cooperatives totalled 15,900.

Land redistribution necessarily results in the fragmentation of the ownership of land. To prevent this from resulting in uneconomic and unviable farms, pilot projects in compact farming and land consolidation are being developed for extensive replication during the later phase of the agrarian reform program. These projects are not intended to violate individual ownership over the farmholdings but are intended to make these holdings more viable.

*Compact farms* consist of individual farmholdings voluntarily placed by their respective owners under one unified farm management in order that through the pooling of resources and activities higher economies of scale may be achieved. Farm activities, such as cultivation and harvesting, and marketing are supervised and directed according to an agreed plan and budget. Costs of production and earnings from it are shared among the members in proportion to their individual farmholdings. Compact farms apply the basic concepts of cooperative farming and farming as a business enterprise. This is why they are envisioned to evolve in time, through the

expansion of operations, into full-fledged *cooperative farms* or even into *agro-industrial estates*.

As of December 1977, some 330 compact farms had been established, covering a total area of 16,660 hectares and cultivated by 10,180 farmers. These compact farms were distributed in all twelve regions of the country for their demonstration effect.

There are now also two fully-established cooperative settlements—the General Ricarte Multi-Purpose Agricultural Cooperative Settlement Project in Llanera, Nueva Ecija and the Magalang Cooperative Settlement Project in Magalang, Pampanga.

The Ricarte cooperative covers the entire barrio of General Ricarte which comprises some 300 hectares of farmland and 157 families. This type of cooperative is now in the process of replication in 10 regions of the country. The new project will cover a total area of 20,384 hectares and involve some 4,123 families.

Farm holdings which are too irregular in shape or small in size or scattered in fragments need to be consolidated for better management.

Land consolidation involves the rearrangement of farm holdings through exchanges, mergers or redivisions to attain concentration and regularity in farm lots. In the pilot projects already being undertaken, the provision of irrigation facilities, the construction of roads and the introduction of farm mechanization are added features of land consolidation.

There are at present five land consolidation pilot projects. They cover 6,690 hectares and involve 2,625 farmers. These consolidated areas are located in Pampanga, Nueva Ecija, Pangasinan and Camarines Sur.

In the past, we worried over the possibility that a drastic decline in agricultural productivity might result from the implementation of land reform on a large scale. Government mea-

sures undertaken in the land reform areas and outside have dispelled this fear. Agrarian reform is not only socially beneficial; it can be economically progressive as well. It was in the years of the implementation of the agrarian reform program integrated with the implementation of the rural and agricultural development programs that the agricultural sector as a whole achieved the highest rates of productivity and sufficiency levels in rice and corn production.

We need not hesitate therefore in extending land reform—in appropriate form—to the other crop lands, such as sugar and coconut, and even to the urban areas where congestion co-exists with undeveloped and unutilized lands. Policies on these new forms of land reform have been announced and programs are now being prepared. We have the opportunity within our time to solve once and for all and comprehensively the historic and contemporary land inequities which have so long plagued our society.

### *A New Deal For Labor*

One of the landmark legislations under crisis government is the New Labor Code which was promulgated in 1974 to embody the New Society's concern for the Filipino worker. It is a code which protects most comprehensively the rights, interests and welfare of labor and establishes the framework for basic government policies and programs in this sector.

The real and long-term interests of the worker in a developing society lie not only in the vigilant protection of his rights but also in the effective promotion of his interests. The latter depends vitally on the expansion of economic and employment opportunities and on the stability and harmony of society without which economic and industrial development cannot be achieved.

This is the reason why the New Labor Code seeks the following three major objectives: first, industrial peace based on social justice and the maximum protection of the rights of labor; second, industrial development based on the trisectoral cooperation of labor, management and government; and third, the promotion of the interests and welfare of labor particularly through union organization, better wages, manpower development and employment placements.

To ensure the full implementation of the New Labor Code and the expanded programs of government for labor, the Department of Labor has been expanded and strengthened. Before the New Society, the Department of Labor had a budget of less than ₱30 million and personnel of less than 1,000 employees. Today it has a budget of ₱140 million and personnel of more than 5,000 employees.

It is another distinguishing feature of the government under the New Society that it is actively seeking the effective organization of the many and the poor to enable them to protect their own rights and to promote their own development and welfare. We have sought to restore political power to the people through the revitalization of the institution of the Barangay and we have striven to build the organizational capability of the farmers for economic and social development through the establishment of the *Samahang Nayon* and the promotion of the cooperative movement. It is no coincidence therefore that the government has given vigorous encouragement to the organization of workers and the strengthening of labor unions.

The proclamation and implementation of martial law has had the effect of counteracting those forces hostile to labor—those vested interests entrenched in some branch of government or in media and operating with the brute power of goons and private armies.

As a result, unionization has become an effective option for the workers everywhere, but especially in formerly forbidding

areas such as sugar plantations, logging camps, fishing enterprises and some enterprises of the oligarchy in Metro Manila. Violence, coercion and intimidation have been removed as obstacles to unionization.

The New Labor Code has made it mandatory for the labor movement to restructure itself on the basis of the principle of one-industry-one-union. By this new principle of organization, unions will be spared the divisions and rivalries which competing unions within one industry tend to generate and allow them to concentrate and translate their numbers into more effective and better directed power. This restructuring of the labor movement is at present being done under the auspices of the Trade Union Congress of the Philippines and with the active assistance of the Department of Labor.

The New Labor Code has also sought to provide stability to the unions by requiring that the term of office of union officers as well as the term of effectiveness of Collective Bargaining Agreements be set at three years. The intention here is to minimize any undue measure of union politics and union administration turn-over.

The unions have also been strengthened by the New Labor Code which unequivocally grants them the right to have in a bargaining agreement, the *closed shop* security clause and which gives them, for the first time, another union security measure — the *agency shop*. Neither of these has been made available even to the labor unions of the United States. The *closed shop* agreement restricts the hiring of workers in a business or company only to those who are members of some labor union. The *agency shop* agreement requires non-union members within a collective bargaining unit to pay the same dues and fees being paid by union members to the union if they accept the benefits secured by the collective agreement.

A crucial union activity is securing with management a collective bargaining agreement. The aid of the law and the gov-

ernment has been extended to make the unions more effective in this activity.

The Code requires that only one collective bargaining unit may be recognized in a business enterprise or company. This is to prevent the employer from utilizing the tactics of divide and rule against the employees. The Code further requires that a collective bargaining agreement be certified by the Department of Labor before it can become effective. This is to ensure that the agreement is not sub-standard and prejudicial to the interest of the employees. Finally, the law makes it compulsory that unions secure a collective bargaining agreement. This is simply a recognition that a union cannot serve the vital interests of its members unless it bestirs itself in bargaining for and on behalf of its members.

Today 2,347 collective bargaining agreements covering some 700,000 workers have been certified. According to a Department of Labor official these agreements contain "at least a 10 percent wage increase within a 3-year contract period, vacation and sick leave benefits and retirement benefits, improvement over legally established labor standards, union security clauses, grievance and voluntary arbitration clauses, cooperation schemes on family planning, sports, and improvement of working environment."

This is a substantial improvement over the record before the New Society when there were only some 800 collective bargaining agreements many of which were considered substandard.

The New Labor Code has also expanded the powers of the Department of Labor to safeguard the rights of the union and of its members. No regular employee with at least one year of service may be dismissed without clearance from the Secretary of Labor. The purpose of this requirement is to ensure that no regular employee will be dismissed due to joining a union or to union activities. The Code further provides

that the Department of Labor, the department in government most sensitive to the rights of the workers, is empowered to resolve any dispute arising from or affecting employer-employee relations. This is to avoid the necessity for the employee or union to resort immediately to the slower and more expensive judicial process of the regular courts or the crippling ordeal of a strike.

Finally, to make the unions more effective organizations for the pursuit of the welfare of their members, both the Code and the government have given the union the widest opportunity for engaging in labor education and research. The law allows the unions to convert a portion of their strike fund for this activity and to levy a reasonable fee on the union membership for the same purpose. The Bureau of Labor Relations and the Institute of Labor and Manpower Studies of the Department of Labor have been instructed to assist in organizing their labor educational programs. The assistance of international agencies and of local universities and research institutions, including the UP Law Center and the Philippine Executive Academy, has also been enlisted to provide year-long training for union leaders.

Perhaps the most telling indication of the New Society's positive and encouraging attitude towards the unions and the labor movement is the representation accorded labor in government bodies. Their representatives now sit in the Social Security Commission, the Employees Compensation Commission, the National Manpower and Youth Council, the National Labor Relations Commission, the Wage Commission, the Overseas Employment Development Board, and the National Seamen Board. Only recently, I appointed Mr. Luis Taruc and Mr. Jeremias Montemayor, two very prominent agricultural labor movement leaders, as Presidential Assistants on agrarian affairs. Even more recently, the Batasang Pambansa allocated sectoral representation for labor and agriculture in the Interim Batasang Bayan.

## *Wages and Employment*

Given the worldwide phenomenon of severe inflation which coincided with the years of the New Society, first, the government has had to take measures to shield the worker from its crippling effects.

The fundamental economic response to this problem has already been noted elsewhere. Basically, it consisted of expanding production to fight and cure inflation. The immediate social response has been to establish a system of socialized pricing for certain essential commodities so that the consumer in general and the worker in particular may be cushioned from the impact of increasing prices in those commodities which he daily needs.

But the more direct response to the plight of the worker has been the adjustment of minimum wages. In the last five years the minimum wages have in fact been increased by more than 100 percent. This is so because the *actual* minimum wage consists of the present basic minimum wages plus the following additional compulsory compensations:

1. the minimum wage of ₱10 for non-agricultural workers in Metro Manila and of ₱9.00 for non-agricultural workers in the rest of the country; the minimum wage of ₱7.00 for agricultural workers, the minimum wage in the sugar industry of ₱11.00 for non-agricultural workers and of ₱8.00 or ₱7.00 for agricultural workers depending on the locality;
2. the 13th month pay for all workers receiving not more than ₱1,000 a month which represents an actual increase in basic pay of 8.3 percent;
3. the emergency cost of living allowance in the amount of ₱50.00, ₱30.00 or ₱15.00, depending on the total assets of capitalization of the company involved, for all employees receiving less than ₱600.00 a month; (PD 525);

4. the additional ₱60.00 monthly emergency cost of living allowance for all employees receiving not more than ₱600.00 a month (PD 123);
5. the 10 paid legal holidays under the New Labor Code;
6. the five-day service incentive leave with pay under the New Labor Code;
7. the 30% premium pay for work on special holidays and rest days;
8. the 100% night premium pay for work on legal holidays;
9. the 105% night premium pay for work from 10 o'clock in the evening to 6 o'clock the following morning.

If you summed up all these cash benefits, the daily take-home pay for the various workers would be as follows:

Non-agricultural worker in Metro Manila	—₱16.30
Non-agricultural worker outside Metro Manila	—₱15.30
Agricultural worker	—₱13.30
Non-agricultural worker in the sugar industry	—₱17.30
Agricultural worker in the sugar industry	—₱13.30
	or —₱14.30

(depending on locality)

It should be noted, however, that because of the current depression in the sugar industry caused by external factors largely beyond our control, sugar planters have been temporarily exempted from PD 1123 during the period 1977-78. But the picture in Metro Manila is particularly good. According to a survey made by the Bureau of Employment Services, at least two members of the average family are employed. This means that the take-home pay of the average Metro Manila family is at least ₱32.60 in the case of non-agricultural workers and at least ₱26.60 in the case of agricultural workers.

In addition to adjustments made in the actual minimum wages, we have also moved to ensure that the benefits the worker is entitled to are not evaded or delayed. The New Labor Code has abolished the so-called labor-only device of contracting which used to be utilized for evading the payment of those benefits to which the worker was entitled under a collective bargaining agreement or for escaping the legal obligation to pay for Workmen's Compensation, Social Security and Medicare benefits.

The Workmen's Compensation System has also been integrated into the Social Security System and the Government Social Insurance System to facilitate the payment of the workmen's compensation. In the past, the system tended to operate almost in an adversary manner, requiring the presence of lawyers, inviting the intervention of fixers and benefiting the insurance carriers. The new system of administration does away with these unwanted features and has succeeded in speeding up the process of payment.

Finally, maternity benefits have also been integrated with the Social Security System effective January 1, 1978. No longer will employers be tempted to discriminate against working mothers for fear of having to pay for maternity benefits since all working women will from hereon be entitled to maternity benefits under the Social Security System.

In a developing society, the single most important problem of the worker is getting work. Not only is this the major problem for those who aspire to get a job but cannot. It is also the major source for weakening the bargaining power of those who have been able to get jobs. When workers are plentiful and jobs are not the condition of labor cannot be greatly improved.

This is the reason why government under the New Society has made a major effort to help create jobs and to train workers for those jobs.

Elsewhere in this report, we have seen the government's efforts to create jobs—in the promotion of small- and medium-scale industries in the rural areas, in the drive to expand exports and tourism, and in the general economic development program. It is with these efforts that we shall find the basic solution to this problem of labor.

But the government has not been content to wait for the results of these efforts. We have simultaneously sought placements for the unemployed and provided skills for the untutored so that those jobs which are available locally or abroad may be filled.

We have established a network of 42 public employment offices all over the country under the Bureau of Employment Services. Under the New Labor Code, employers are obliged to report vacancies once every quarter. The public employment offices register workers, give occupational guidance and match the skills of these workers with the reported vacancies in industry.

For overseas placement, we have established the Overseas Employment Development Board and the National Seamen Board. By providing free services to Filipino workers seeking jobs abroad, these agencies save the applicants from the necessity of placing themselves at the mercy of racketeers and exploiters.

Today, we have a growing number of Filipino workers abroad. In addition to some 36,000 Filipino seafarers overseas, who remit some \$74 million a year through the Philippine banking system, the Overseas Employment Development Board and the Bureau of Employment Services have placed overseas 95,564 workers during the last five years, some 30,000 of whom are now working in the Middle East. They remit some \$43 million a year.

Our comprehensive effort at manpower development will be noted in a succeeding section. Here it is sufficient to briefly note the efforts directly related to labor.

We have established 11 regional skills training centers under the supervision of the National Manpower and Youth Council. These training centers are among the most modern and the best equipped in Asia. And they are strategically distributed in all the regions of the country. In the last five years, we have graduated some 50,000 trainees from these centers and from the various earlier established training programs of the National Manpower and Youth Council.

Similarly, we have extended the apprenticeship program of the Bureau of Apprenticeship, which used to be in operation only in Metro Manila, to the entire country. Apprenticeship services are now available in all the 14 regional offices of the Department of Labor.

Crash training programs have also been established for demobilized soldiers and ex-rebels in Mindanao and for some 60,000 workers in the currently depressed sugar industry.

Finally, the New Labor Code has called for the establishment of Tripartite Industry Training Boards. These boards will plan, finance and implement manpower development programs for the various industries. So far, only the Automotive and Construction Industry Training Boards have been established. But the mining, construction, garment and shipping industries will soon have their respective boards.

The economic growth generated in the last five years and the various manpower training and employment placement programs have resulted in a significant reduction of total unemployment from 6% of the labor force in 1972 to only 4.1% today. This, perhaps, is among the most important and revealing achievements of the New Society in the drive to uplift the condition of labor.

## *The Reform of the Educational System*

Education is basically intended to satisfy the human need for knowledge. In a developing society such as ours, it acquires the more urgent obligation to address itself to the needs of national development. Manpower development seeks to respond more directly and more materially the changing as well as mounting requirements of the process of development.

Education then is a source of economic and social benefits. It determines in part the individual's income and society's productive capacity. It is also a principle of occupational and therefore social mobility.

Education and manpower development together with employment constitute the central factors of the human resource development strategy. They are central because they can make possible the satisfaction of the other basic material needs such as food, housing and medical care.

In the context of a rapidly growing population seeking entry into the school system and jobs in the labor market, we established two basic formulations of policies in the area of education and manpower development. These basic policies have provided the framework for redirection, adjustment and innovation.

In 1972, guided by the findings and recommendations of the Presidential Commission to Survey Philippine Education, we promulgated the Educational Development Decree (PD 6-A). This decree defined the objectives of the national educational system, relating them more directly to the national development goals, provided the guidelines for planning the Ten-Year Educational Program (1973-1982), and gave impetus to the implementation of educational development projects.

In 1974, as noted in an earlier section, we promulgated the New Labor Code (PD 442) after consultation with a broad

spectrum of opinion in society and a tripartite dialogue among government, management and labor. The New Labor Code seeks among several major objectives to maintain through manpower development and employment promotion a national work force capable of meeting the requirements of national development.

Some of the changes we have made in the last five years in the educational sector were organizational, including the establishment of regional offices of the Department of Education and Culture, to enhance its capability and flexibility for planning, implementing and evaluating educational activities.

Some were curricular revisions in almost all levels of the school system in order to improve content and effectiveness of instruction as well as to conform to new educational goals more directly related to national development goals. These revisions were also supplemented by the introduction of new programs, such as the Youth Civic Action Program which has already enlisted some ten million students to engage in community and development projects as part of their educational experience.

Since the bulk of our student population are in the elementary grades, we have sought as a major objective the improvement of the quality of basic education. For this purpose the curriculum has been revised. A faculty development program has been established which had already provided advanced education and training for some 15,000 schoolteachers. And a massive project to produce and distribute, between now and 1985, 72.4 million textbooks has been started. In 1977, 22 titles were completed and 29 titles were tried out; 2.29 million copies were distributed and some 90,000 teachers were trained in the use of these textbooks and manuals.

We also introduced in 1974 a bilingual system of instruction which prescribes the separate use of Pilipino and English as

media of instruction in definite subject areas to be progressively implemented over several years from the elementary grades all the way up to college. This bilingual system of instruction will have a profound effect in promoting proficiency in the educated use of Pilipino and in bridging the gap between popular culture and the culture of the schools.

Finally, we have made a breakthrough in correcting some educational and manpower imbalances and inequities by the institution in 1974 of the National College Entrance Examination (NCEE). This qualifying examination for enrollment in a four-year college degree course will serve to direct some enrollments towards the vocational-technical courses whose graduates are needed to meet the requirements of industrial growth.

According to the census, there were 42.1 million Filipinos in 1975 compared to 36.7 million in 1970. During this same period, the school-going age population correspondingly expanded, as well as the ability of our schools, both public and private, to absorb them. Total enrollment in the schools increased from 9,517 thousand in 1972 to 10,967 thousand in 1977 while the number of schools increased from 31,491 in 1972 to 40,214 in 1977.

But more important than the ability to absorb the increase in student population are the programs we have instituted to democratize access to education through the establishment of scholarship programs, training programs for out-of-school youths and other non-formal education programs.

We have expanded the scholarship program. In school year 1972-1973 the program had only 250 beneficiaries. In school year 1976-1977, it had 4,500 beneficiaries for whom the government will be spending an average of ₱23.3 million annually. This figure does not include the older National State Scholarship program which has thus far helped 1,513 students.

We introduced the Study Now Pay Later Plan in 1976 (PD 932 Educational Assistance Act). In its two years of

operation, it enabled 3,636 students to pursue higher education with a funding of ₱14.9 million. (See Appendix "F")

While more than 16.2 million youths of school age are in the schools, there are close to 5 million who are not. To make some of the benefits of education available to them, in late 1976 we directed the establishment of educational programs for the out-of-school youths and adults and created in 1977 the new office of Undersecretary for Non-Formal Education.

Work has been started on designing functional literacy packages. A plan has been drawn up for out-of-school youth education utilizing Tanglaw schools. Pilot centers for non-formal education have also been set up using existing structures. A massive program called Lingap ng Pangulo sa Barangay, a school-on-the-air project, has recently been launched. It consists of organizing listening groups in each barangay and of utilizing the radio to conduct what in essence are informal classes. A system of accreditation for knowledge and work experience gained outside the formal school system has also been instituted. Finally, the Distance Study System, launched in February 1977, provides a system of learning at a distance through a multi-media approach—the radio, TV and a correspondence package consisting of a primer, a manual and learning modules. There are now fourteen training centers in the four regions with 1,451 students participating.

Manpower development and skills generation achieved wider dimension during the first five years of the New Society. We intensified work-oriented educational programs as well as training activities. As noted earlier, more than 50,000 trainees graduated from the institutionalized National Manpower and Youth Council training programs.

Perhaps more significant for the future is the establishment in the last five years of the 11 regional skills training centers and the 14 regional manpower development offices of

power programs for meeting the local manpower needs of the various regions and the formulation of an integrated manpower development strategy through rural dispersal. This new capability added to the on-going massive agricultural extension programs manned by over 20,000 extension personnel will usher in a new period of agro-industrial manpower development in the rural areas.

### *The Expansion of Basic Services*

Developing countries are often characterized by a high population growth, inadequate health services and a mounting housing problem. As a developing country, the Philippines has had to contend with these massive and long-term problems along with the basic problem of poverty and inequality during the period under consideration.

An annual population growth rate of 2.8 percent was registered for the period 1970-75, with the population of the country reaching 42.1 million in 1975 from a 1970 level of 36.7 million. As of 1977, population was estimated at 44.4 million Filipinos. A notable decline in the growth of population has therefore taken place following a growth regime of more than three percent prior to 1970. Thus a better balance between the resources of the country and the demand from an increasing population has emerged. Moreover, the orientation of the government's population planning program towards family and individual welfare and greater multi-agency collaboration in its implementation has served to improve further the well-being of the Filipino.

In the 1970-75 period, Filipinos looked forward to an average life span of 59 years. Filipino babies born in 1977 can look forward to an average life span of 60 years. This compares favorably with the life expectancy in other developing countries like Thailand, but is still below the 72-year average in developed

countries like the United States and Japan. Ten years from now, Filipinos can expect to live an average of 64 years.

The overall mortality trend based on registered deaths showed a general decline during the postwar period (1946 to 1974). In 1975 the crude death rate was recorded at 11.0 deaths per thousand persons, while in 1976 it is estimated to have slightly declined to 10.6 deaths per thousand persons.

Infant mortality has similarly shown an overall decline of 2.3 percent from 1946 to 1974. The 1975 figures indicate a rate of 76 deaths per 1,000 live births while in 1976 this indicator disclosed a level of 73 infant deaths per thousand live births.

As the death rate declines and the life expectancy expands, the effort to reduce the rate of increase in our population becomes more urgent. Under the New Society family planning has become for the first time in our history a serious program on a nationwide scale. While the results of this program will become perceptible only over the long run, we have now some indication of how effective it can be.

The family planning program offers a wide variety of methods for controlling the birth rate in consonance with our basic policy to make available to our people the right to select the most appropriate method as their conscience may direct.

In 1975, 23 percent of married couples of reproductive ages practised birth control and of these numbers 82 percent of expected births were averted. If the present trends will hold over the next ten years of the family planning program, birth control practice will reach 40 percent in 1982 and 50 percent in 1987. Effectiveness will likewise increase to 90 percent.

Over the last five years, our efforts have been directed to making health services and medical care more widely available to our people especially in the rural areas, and more recently to dealing seriously with the problem of malnutrition.

By 1977 we had succeeded in extending the Medicare Program to one half of our entire population. Our latest figures show that 5 million persons have benefited from financial support for hospital care from 1972 to 1977. In a year or two, we expect to be able to extend the Medicare health insurance coverage to the entire population.

We have also expanded our infrastructural facilities for extending medical care. We have established 4 new regional hospitals. Since 1972, we have also constructed 73 additional emergency hospitals, raising the total to 240 emergency hospitals to date.

In making health and medical services more widely available, we have seen to it that the formerly neglected rural areas received our major attention.

The government renovated 2,135 of the 3,172 barangay health stations and made them more effectively functional. By December 1977, it had established 1,707 rural health units in our municipalities and settlement areas. It has made available 50 mobile hospitals. Finally, it constructed 80 community hospitals and health centers.

We have also fielded, under the Rural Health Practice Program, a total of 2,758 new medical and 17,570 nursing graduates in the rural areas since 1974. These new medical and nursing graduates served in the rural areas for six months to reinforce the rural health manpower, as will all succeeding graduates from now on.

To provide immediate medical assistance in remote communities, some 35,000 barangay leaders were trained in the essentials of first aid and health care. To supplement this effort, the Barangay Health Aides Program was organized. Barrio health aides numbering 400 are now assisting in the delivery of health services in the remote communities of Bicol, the Visayas and Mindanao.

According to a nationwide health manpower survey conducted in 1973, the ratio then was 1 doctor per 3,061 persons and 1 sanitary inspector per 15,118 persons. We have established a ten-year program to make this ratio more favorable. The program target is to have 1 doctor, 1 nurse, 1 sanitary inspector per 20,000 persons and 1 midwife per 5,000 persons.

Although we have attained substantial success in our food self-sufficiency production program, we have a serious malnutrition problem. Because of this we have recently launched a national nutrition program.

In aid of this program, one regional nutripak plant and 74 nutripak processing centers have been established. During this year, 4 additional regional nutripak plants will be set up. The establishment of 100 nutripak processing centers in the next four years have been programmed. One hundred fifty-three malnutrition wards have been set up. Additional malnutrition wards will be set up in government and private hospitals at a pace of 80 units yearly for the next 4 years, and 250 nutrition units will also be set up during the same four years.

### *Welfare and Self-Reliance*

We have directed the welfare activities and social development programs of the government in the last five years principally to assist the most disadvantaged, the cultural minorities, and the depressed sectors of urban-rural communities.

During the period under review, we directed the government's welfare arm to develop and implement programs and services which were developmental in nature and which encouraged productivity and individual and local self-reliance. This was what we wished to symbolize when we changed the name of the Department of Social Welfare to the Department of Social Services and Development.

The package of social services which the government delivered from 1972 to June 1977 included the Self-Employment

Assistance Program, the Day Care Service, the Integrated Human Resources Development Program for Needy Youth, the Rehabilitation Program for the Disabled and Special Groups, the Assistance Program for Victims of Disaster, and Family Planning Information and Counseling Services.

I want to emphasize that these programs were directed to serve *the lowest 50% of the population* in terms of aggregate family income as well as the other especially disadvantaged individuals and groups.

The Self-Employment Assistance Program grants non-interest and non-collateral capital assistance to individuals and groups who then engage in income generating ventures ranging from simple vending to cottage crafts. When the project is economically productive, the capital assistance is returned through regular bank deposits and rolled on to another eligible client.

The SEAP also grants assistance to subsistence and small-scale fishermen through fishermen associations. This assistance is incorporated in Project Fisheries Resources Management (FIRM), which is a joint undertaking of the Development Academy of the Philippines, Department of Natural Resources and the DSSD.

The project is being tried on a pilot basis in 12 economically depressed fishing areas, namely: Ilocos Norte, Occidental and Oriental Mindoro, Tacloban City, Davao del Sur, Palawan, Maguindanao, Basilan, Zamboanga City, Sultan Kudarat, Sulu and Tawi-Tawi.

The project revolves around the organization of fishermen's associations which will set up, operate, manage and control various aspects of fish production including storage, processing and marketing of marine products.

From 1972 to 1977, SEAP benefited 792,404 individuals who were unemployed family heads, needy out-of-school youths, disabled persons and victims of calamities.

Another program is the Day Care Service (DCS) which was designed to ensure adequate and normal development of malnourished pre-school children from poor families. Through this program, the children are provided with nutritional feeding along with creative group experiences and socialization at the day care center.

To date there are 4,000 day care centers, 2,000 of which were established by the First Lady under her integrated social welfare program.

Similarly, for the abandoned, neglected and dependent children, protective services such as adoption and foster care have been made available. A total of 2,079,486 needy children have been served through DCS adoption and foster care from 1972 to 1977.

For the physically disabled and socially disadvantaged group including the recovered drug dependents, released prisoners, mendicants, negative hansenites, recovered mental patients and adult-retardates, a well-rounded rehabilitation program has been established, the objective of which is their return to gainful employment and active participation in community life following an intensive vocational and social rehabilitation.

A total of 423,885 clients under this category were served in the regions and in different rehabilitation facilities.

Various handicapped persons have been placed out for employment in more than 50 industrial firms and business establishments. Testimonies from their employers reveal that they have rendered above-average performance and are considered in many instances as model employees.

To generate public understanding, acceptance and participation in rehabilitation programs, the DSSD has engaged in community campaigns concerning mendicancy and drug addiction and has solicited the assistance of the barangays in this endeavor.

The program and services for needy and out-of-school youths are designed to develop this particular sector of the population to become productive and responsible citizens. Through the self-employment assistance program, population awareness and sex education, leadership training, social action and volunteerism, drug information program, residential and other special services, DSSD aims to prepare them for responsibilities of adulthood.

A total of 2,584,180 needy and out-of-school youths were served during the five-year period under review.

The assistance program for victims of calamities provides relief, restoration and rehabilitation services to victims of natural calamities and social disorganization. Its salient features are food-for-growth, food-for-work, food incentives, housing and financial assistance and the SEAP.

New approaches to cope with calamities were also introduced and developed such as the holding of disaster-preparedness and planning workshops on the barrio level to effect better organization, coordination and communication among agencies and the community in times of calamities, and to establish functional Barangay Disaster Coordination Councils.

Another development in the assistance program has been the increase of standby funds for emergency operations in all regions, provinces and cities prone to disaster by as much as 100 percent and the repositioning of food/essential commodities in identified strategic areas where accessibility of movement has been tested.

Assistance in the form of food, transportation, and financial and limited housing assistance was extended to evicted squatter families from the pre-location period to the time of resettlement or return to their home provinces.

In Mindanao, 768 food-for-work projects were undertaken in such areas as Zamboanga, Basilan City, Davao, Sulu, Tawi-Tawi and other areas in coordination with the World Food Pro-

gram. The food-for-work project which involves the giving of food as incentives for individuals to get involved in community projects and in developing and restoring homes, instead of merely relying on doleouts, has benefitted 494,647 persons.

All in all, the assistance program has served 3,639,152 individuals for the period under review.

In line with the national government's population program, the DSSD has a family planning information and counseling service to promote responsible parenthood and family planning as a way of life.

In addition to these programs and services, the following gains and advances have been made in field of social welfare:

1. The localization of social welfare services. This is a scheme for drawing involvement of local governments in social welfare. As envisioned, cities, provinces, and towns will establish their own social welfare units as the national DSSD gradually phases out its direct service program and spreads out its concerns in other development programs as well as intensifies its functions for planning, policy-making, standard-setting, accreditation, licensing and providing technical consultation and supervision to local social welfare units.

2. The signing of the Child and Youth Welfare Code (Presidential Decree 603) on December 10, 1974. The Code provides a full mantle of protection for the child while preparing him for the responsibilities of adulthood and good citizenship. It also specifies the rights, duties and liabilities of parents as well as substantive and procedural provisions on children with respect to the home, church, community, samahan, education and the state. In this connection, it should be noted that we created through P.D. 603 the Council for Welfare of Children and Youth, a function of which is to coordinate the implementation and enforcement of all laws on children and the youth.

3. The setting up of a well-coordinated manpower resource to be harnessed during disaster relief operations. To system-

atize these operations, we issued Letter of Instruction No. 453 directing all government personnel particularly those who have completed or are still undergoing the junior executive training course of the Civil Service Commission to assist in massive relief and rehabilitation programs. For maximum effectiveness, they are required to undergo a disaster preparedness and control training workshop.

4. The launching by the President in December 1976 of an eight-point national plan of action for the development of Filipino children and youth to be undertaken over a period of ten years. This plan of action is geared towards the alleviation of the status of children who are malnourished and without access to adequate health services.

5. The inauguration in February 1976 of the Asian Center for Training and Research in Social Welfare and Development. The Asian Center is located at South Superhighway, Makati, Metro Manila. It is a United Nations-supported inter-governmental institution which was established to strengthen developmental strategies in social welfare oriented to the needs of countries in the Asian and Pacific region.

6. The realignment and pooling of resources of non-governmental organizations in August 1977. This move was based on a study conducted by the Economic Development Foundation which revealed that there were around 500 non-governmental organizations and private groups nationally and locally organized to assist the poor. These groups have agreed to integrate and coordinate their welfare programs.

Through PD 719, the Presidential Assistant on National Minorities acquired the powers, functions and duties of the now defunct Commission on National Integration. The PANAMIN substantially assisted about 2.5 million of the 4.25 million non-Muslim cultural minorities in the Philippines with 380 on-going projects. These projects constitute an integrated socioeconomic development program consisting of assistance for medical care,

settlement, housing, infrastructure, community building, security, food production, and education.

The PANAMIN has also located and identified previously unrecognized and uncensused ethnic groups and documented their cultural mores and traditions. Furthermore, it has helped to bring back to the fold of the government dissident groups while seeking the prevention of the physical and cultural demise of isolated tribes and the return of their ancestral lands.

The increasing capacity of local people to propel their own development is reflected in the 556,937 purely self-help projects amounting to ₱218 million completed for the period. Government-assisted community development projects known as Grants-in-Aid totalled 3,377 projects with an overall cost of ₱82.6 million. These projects were mainly directed towards the economic upliftment of the community and hence, were mostly income-generating schemes. To support these baranganic self-reliance thrusts, local capabilities were improved through the organization of city and municipal planning and development bodies to evolve and implement local development plans.

### *Housing and Human Settlements*

During the last five years the government made substantial investments in housing to help alleviate the housing problem.

In the government-administered housing projects we gave priority to the low income families. In the urban sector, about 7,000 core houses and 4,546 lots were provided to squatter families from the Greater Manila Area. These families were relocated in four major resettlement sites.

After a momentary lull in social housing and resettlement activities in the latter part of 1975, our resettlement efforts picked up in 1976 with the relocation of some additional 10,000 families in government resettlement sites and several emergency relocation centers. The latest count of the number of families

resettled in these four resettlement centers reach a total figure of about 24,567. For these resettled families, the government provided 7,211 housing units as of December 1977, of which 679 were completed units, 2,200 were housing kits and 4,332 were sanitary core units.

Meanwhile, we introduced the sites and services approach to urban redevelopment in the most ambitious government redevelopment project ever undertaken. This is being done in the Tondo Foreshore area, Manila's biggest slum colony. In 1976, slum improvement efforts in the foreshore area and the reclamation/development of Dagat-dagatan area into a model human settlement gained momentum with the commitment of about \$64 million, half of which was provided by a World Bank loan. A case in point was the establishment of Kapitbahayan, a pilot community occupying 5.79 hectares in Dagat-dagatan and consisting of 526 dwelling units and supportive socioeconomic structures.

In the rural sector, we directed resettlement activities towards deserving landless families and displaced families served by the Agrarian Reform Program. Direct assistance in the form of houses were provided together with farm lots and infrastructure support. Thus, some 36,634 houses were constructed and turned over to settler families for the period 1973-1977.

In the financing of private housing, government lending institutions contributed substantially through the extension of individual residential loans and participation in mass housing projects. In the period 1973-1977, the government financed a total of about 58,623 dwelling units with total disbursements reaching about ₱1.5 billion.

During the same period, the government promoted the construction of about 17,200 houses through the insurance of about ₱48 million for mortgages from private lending institutions.

Perhaps more significant for the future than these material achievements were two institutional developments.

In the past, very little coordination existed through the several government housing agencies which were created at different times and which pursued different functions. Minimal attempts were made at systematizing their functions or in integrating their approach to the housing problem. The long-awaited integration became a reality on July 31, 1975 when we created a national housing agency by virtue of PD 757. Its establishment signalled the beginning of more determined efforts to integrate and coordinate the resources of the public and private sectors for mounting a massive housing program.

We have also institutionalized a new concept for housing which recognizes housing as a significant element of human settlements. Viewed from a broader perspective, housing is not merely the provision of shelter but also the enhancement of the environment. Thus, it involves the improvement of environmental conditions in marginal settlements and the development of viable communities with the necessary facilities, services and amenities so that food, nutrition, education, recreation and culture are integrated into the lives of the residents.

The underlying concept of housing as "habitat" has been reflected in our latest Presidential directives concerning housing and resettlement. In February 1977, we launched the Pambansang Bagong Nayon project. The project aims to establish model barangays in identified growth centers that would demonstrate the human settlements approach to community building and to promote local government participation in housing developments through joint venture schemes with the National Housing Authority.

In June 1977, we also inaugurated the Dasmariñas Bagong Bayan as a prototype resettlement community. Unlike the first three government resettlement projects, Dasmariñas is being evolved as a self-sufficient community for about 2,500 families.

This 234-hectare site is provided with core houses with supportive infrastructure (such as roads, water, sewerage, drainage and power supply), socioeconomic facilities (such as a hospital, school and church-community center) and a commercial/industrial estate to provide employment opportunities.

During the same occasion, we instituted a nationwide slum improvement and resettlement program in all urban areas with the participation of national agencies and local communities. We also formalized the national housing program to undertake identification, delineation and acquisition of lands available and suitable for housing. Finally, we declared slum improvement or upgrading of sites and services as a national housing policy.

In response to the growing concern over environmental degradation and urban blight, we created the Task Force on Human Settlements in September 1973. We directed it to formulate a national human settlements program which would incorporate the three basic concerns of environment, habitat and well-being.

Three months after, the TFHS presented its major findings and recommendations in a situation report. And ten months later, in November 1974, the Task Force completed a four-volume integrated report which contained the framework plans for the nation and for the Manila Bay Metropolitan Region as well as policy recommendations governing special programs in housing in the Tondo Foreshore Area, and in frontier settlements. The Task Force also completed and published technical studies, concept plans, position papers and policy recommendations.

Upon the completion of its original mandate, we transformed the Task Force into the Human Settlements Commission in May 1976. The Commission is envisioned to be the permanent institution to pursue human settlements programs and is organized as a planning, regulatory, implementing and inter-agency coordinating body.

The principal programs of the Commission, which are now under various stages of development and implementation, are concerned with the dispersal of population to a sufficient number of growth centers and the optimum utilization of the country's land resources (National Human Settlements Planning Program, Metro Manila Area Development Program, Regional Monitoring and Planning Assistance Program), the proper management of the environment (Environmental Management Program) and the application of innovative technologies for the construction of models for the implementation of settlement plans (Human Settlements Technology Program).

Taken as a whole, our programs for the social sector show the new dimension we have given to national development. People stand at the center of our development efforts, and so they must remain—the end as well as the means to progress.



## Chapter V

### *Philippine Foreign Policy: The Quest For Identity*

THE gains we have achieved in the economic, political, social and cultural spheres suggest the broad scope of the effort at national transformation. It was inevitable and only logical that this profound readjustment of national directions would also infuse the nation's conduct of relations with other states.

The importance of foreign policy in the survival and prosperity of nations cannot be over-emphasized. The foreign policy of any nation is the articulation of its profoundest needs and aspirations, and in international affairs it is its sole weapon for the promotion of national interests.

The achievement of an authentic and independent foreign policy in our case, however, has had to travel a very difficult road, and it has only been in recent years that it has come to fully express national will, national sovereignty and national independence. The consequences of a colonial past, the circumstances that shadowed the recovery of national independence in

1946, and the illusion of security under the mantle of another power — all this served to detain the early maturation of our foreign policy.

I have had ample occasion to look back on our diplomatic past and what evidence I have seen leads to but one conclusion. We began self-government under the illusion that we can be an independent nation with our foreign relations and our security entrusted to the wisdom and might of a powerful nation. And for more than a quarter of a century, we fought the wars of other nations and allowed others to fight our own; we embraced as friends the friends of our patron, and regarded with hostility those whose interests ran contrary to its interests. In such circumstances, we emerged in the postwar world claimed as a trusted ally by the Western world, regarded with suspicion by the new small states, and seen as a foe by most of the socialist nations of the world.

But in a sense this foreign policy orientation was only the logical expression of the state of affairs prevailing then. Foreign policies do not come into being as a result of the ambitions or desires of a few men in power. They are an articulation of the interests of particular societies and as such they reflect very concrete social relations. We are, by now, only too well aware of the social conditions in the period before martial law. The oligarchy, the big landlords and the commercial elite who were dominantly represented in politics, had much to gain from the maintenance of the status quo — and this naturally extended to foreign policy. To be sure, the oligarchic elite would have least wanted to see the last of our so-called “special relations” with the United States.

It becomes clear then that the efforts we have taken in the New Society to depart from traditional foreign policy do not constitute an isolated move: they are part of a more general and concerted effort to transform Philippine society, to create, in fact, a New Society. We cannot go very far in promoting

an independent foreign policy if the internal structures which define our society are antithetical to independence. We cannot project nationalism in our foreign policy if the very foundations of nationalism are continually being eroded from within. The foreign policy we seek to cultivate can only be the reflection of the kind of society we are trying to build.

### *The New Diplomacy*

Given the unwelcome consequences of our old foreign policy, which, by and large, reduced us to excessive dependence on one country and caused our estrangement not only from the developing countries of the Third World but also from the socialist world, we had to pause to reexamine the premises upon which we based our relations with other states. In the vastly changed world of the 1970s, we came to realize that our international position depended, in the last analysis, on how we ourselves managed our affairs vis-a-vis those of other countries. We became acutely aware that our search for domestic stability and economic progress was inextricably linked to the bilateral and multilateral arrangements we entered into with other countries.

We were determined upon this radical transformation of our foreign relations because the world, in the preceding ten years, and our country as well, had greatly changed.

Ten years ago the world began to turn away from the cold war and its bipolar division of allegiances between the East and the West. World affairs and international relations refused to be conducted any longer within the straightjacket of ideological rivalry and the cold war system of alliances began to lose its coherence. In this period of declining ideology and loosening alliances, a world of new coalitions transcending social systems and political creeds was emerging. Like many other nations, big and small, we have had since then to rethink and redirect our foreign policies in accordance with this greatly changed condition and without the constraints of ideology.

More recently, the end of the Vietnam conflict, which was attended by the end of the American policy of militant containment of communism in Asia, provided a challenge and an opportunity for the countries of Southeast Asia, both communist and non-communist, to pursue a policy of peaceful coexistence and for the ASEAN member-nations to strengthen their structure for collective self-reliance through regional cooperation.

Meanwhile, a broad coalition of developing and newly independent countries had emerged, taken shape and name, and recalled the world's attention from the waning confrontation between East and West to the disparities maintained by an inequitable world economic order between rich and poor, or North and South. The Third World movement, as it is called, seeks the establishment of a new parity in a more equitable world order where the developing nations may be able to claim their "just share in global prosperity." It is a movement to which the Philippines, as a developing country suffering from the same inequity of the world order and sharing a common interest in its reform, cannot remain uncommitted.

Finally, within the last decade, two wars erupted in the Middle East between Arabs and Israelis. Both wars brought the world to the brink of a larger and more disastrous conflict involving the superpowers, while the oil boycott which accompanied the second world war demonstrated two worlds' dependence on the Middle Eastern sources of oil and dramatized the onset of the world energy crisis. The Middle East had become a region of major importance to all the countries of the world.

Changes were also taking place in our country. The post-colonial era of the Philippines, that product of a colonial tradition and the pressures of the cold war, was coming to an end and the so-called "special relations" of the Philippines with the United States which characterized that era had become a hindrance to the completion of the process of our independence and the pursuit of our genuine national interest.

When the crisis in national security brought about by the resurgence of the local communist movement and the outbreak of a Muslim secessionist movement came upon us we were provided with the challenge and the opportunity to reappraise the conduct of our foreign relations. There was the danger that these insurgencies would attain formidable proportions if some nations were to intervene and extend political and material support by reason of ideological kinship or religious affinity with the insurgents. And there was the option for the Philippines to forestall this event through diplomatic initiatives to establish friendly relations with these nations on the basis of mutual respect for each other's national sovereignty and territorial integrity and the principle of non-interference in each other's internal affairs.

As we sought under the New Society to revitalize the nation and to harness all available resources for development, once more we had reason to turn to our foreign relations to expand and to diversify them so that we might be able to augment our limited domestic resources by enlisting them in the promotion of our economic goals.

The challenge posed by all these new realities and new situations and our flexible and pragmatic responses to them guided only by our national interest have led us to a foreign policy approach based on the following major guidelines:

1. To find a new basis for a continuing and healthy relationship with the United States;
2. To pursue durable and harmonious relations with the socialist countries, in particular with the People's Republic of China, the Soviet Union, and the Socialist Republic of Vietnam;
3. To intensify efforts to make the Association of Southeast Asian Nations (ASEAN) a strong and viable regional organization and to expand bilateral relations with the members of the ASEAN;

4. To seek closer identification with the Third World with whom we share similar problems;
5. To continue but make more mutually beneficial our relationship with Japan;
6. To support the Arab countries in their struggle for a just and enduring peace in the Middle East, and to expand our diplomatic and trade relations with the Middle East;
7. To expand trade and economic cooperation with Western Europe; and
8. To support and strengthen the United Nations.

And it was with the same vigor we applied to domestic affairs that we pursued our diplomatic initiatives and activities.

The bulk of these activities were of course carried out by the Department of Foreign Affairs which undertook major missions to, and held negotiations with, every region and continent of the world. As is well known, the First Lady was also entrusted with important and delicate missions which led her to the People's Republic of China, to the Union of Soviet Socialist Republics, to Tripoli and several times to the United Nations where many heads of government and high officials of various nations may also be reached expeditiously and without too much ceremony. I myself, even in the midst of domestic crisis, undertook 8 official visits abroad—to Indonesia, to the People's Republic of China, to the Union of Soviet Socialist Republics, to Japan, to Nairobi for the Group of 77 Conference, to Bali and to Kuala Lumpur for two ASEAN summit conferences, and to Sabah.

In reciprocation, or upon our invitation, there were 12 state and 42 official visits to our country by heads of state or government and high government officials. In addition, we welcomed the visits of numerous other officials, dignitaries and prominent

citizens and businessmen from nearly every country of the world who came to consult or exchange points of view.

These and other less visible activities have made possible the opening of new Philippine embassies in 13 countries and have resulted in the signing of 86 treaties and agreements. These treaties and agreements cover a wide range of subject—from interim air services between the Philippines and Papua, New Guinea to border patrol and crossing between the Philippines and Indonesia, from cultural cooperation between the Philippines and Czechoslovakia to trade relations between the Philippines and China, from the establishment of diplomatic relations between the Philippines and Vietnam to a treaty of amity and cooperation among the ASEAN member-nations.

In sum the thrust of these concrete results has been towards the restructuring of our foreign relations. For we have indeed sought the reorientation of formerly *established* relations (as in the case of the U.S. and Japan), the establishment of formerly *non-existent* relations (as in the case of the socialist countries), and the expansion of formerly *limited* relations (as in the case of the ASEAN member-nations, the Middle East and the countries of the Third World). In the process we have expanded and diversified the field of our relations and have made it more balanced so that it may yield the widest latitude of choices for promoting the national interest, particularly in the areas of national security and economic development.

### *The US and “Special Relations”*

The era of our “special relations” with the United States has come to an end. We are at present seeking new relations with the United States, as with other countries, on the basis of equality, justice, and mutual respect. We are reexamining our various economic and security arrangements with the United States in consonance with the emerging realities in Asia and in the world. Specifically, we insist that national treatment

can no longer be accorded American nationals in the Philippines. We strongly feel further, on the issue of American bases in the Philippines, that extra-territorial rights, which are carry-overs of our old colonial status, must go. We have made our position clear: sovereignty and extra-territoriality are non-negotiable issues.

### *Relations with the Socialist Countries*

The normalization of relations with the socialist world, which encompasses about one-third of the human race, was the end of the cold war as far as the Philippines was concerned and the end as well of the post-colonial pattern of Philippine foreign relations which relied almost exclusively on relations with the United States. And underlying the normalization of relations between the Philippines and these socialist countries were certain mutually accepted principles, among which were peaceful coexistence, respect for each other's sovereignty and territorial integrity, non-aggression, non-interference in each other's internal affairs, equality and mutual benefit.

The normalization process was not achieved overnight. We had been separated from these countries for more than one generation and our initiative towards them were gradual, perhaps even cautious.

We began first with the relaxation of travel restrictions to socialist states, the exchange of trade and cultural missions and other means of non-political contacts, and by these means sought to create and test the climate of friendship.

We started normalization with the East European socialist states. In 1972, we opened diplomatic relations with Romania and Yugoslavia. We followed this up in 1973 by establishing diplomatic relations with East Germany, Poland, Hungary, Czechoslovakia and Bulgaria. In 1974, we received President Ceausescu of Romania and in 1977, the President of the German Democratic Republic (East Germany). In 1973, we also reached

out to another region, in Asia, to establish diplomatic relations with Mongolia.

The East European states require the establishment of diplomatic relations and the conclusion of trade agreements before they embark on substantial economic transactions with any country. We have now established diplomatic relations with all of them save Albania and have concluded trade agreements with several of them. We are therefore well on our way to joining many developing countries of Asia, Africa and Latin America which have been tapping the East European market, and its pools of technology and capital goods.

The opening of diplomatic relations with the People's Republic of China was perhaps the most vivid demonstration of the new orientation of our foreign policy and our determination to break down ideological barriers in our relations with other nations.

The goodwill visit of the First Lady to China in 1974 paved the way for these relations; they were formally established by my journey to China the following year, during which I had the occasion to confer with Chairman Mao Tse-tung himself.

Although our social and political system is different from that of China there is much that can be learned from her experience in social revolution and of course from her culture which from time immemorial has influenced ours. China also has a potent political role in Asian affairs and a leading role among the countries of the Third World.

The potential economic importance of China to us is demonstrated by the fact that our trade with her since the beginning of the normalization process has jumped by leaps and bounds. In 1971 our total trade amounted to only about \$1.5 million. By 1976 it had leaped to some \$95 million. In the first six months of 1977 total trade between the two countries

had already over-reached the total for the whole of the preceding year.

A three-day visit by the First Lady to Havana ended with the signing on August 1975 of an agreement to resume the formerly severed diplomatic relations between the Philippines and Cuba. This was immediately followed by the conclusion of an information and technical cooperation agreement to strengthen the respective positions of the two countries in the world sugar market. Since then, the Philippines and Cuba and the other sugar producing countries of Latin America have had the powerful motive of the sugar depression to discuss international agreements and cooperation with respect to the sugar industry of the world.

A year after my journey to Peking, in 1976, I visited Moscow to open diplomatic relations with the Union of Soviet Socialist Republics.

Soviet Russia, like the United States, is a superpower to reckon with in the political, economic, military and diplomatic affairs of the world. The opening of our doors to the socialist world would not have been complete without the opening of diplomatic relations with Soviet Russia.

More immediately relevant to our interest is the growth in recent years of Soviet power and influence in South and Southeast Asia. Like China and the United States, the USSR can influence future developments in Asia, and, in particular, the direction of future relations between the ASEAN and Indochina states.

During our visit to Soviet Russia, we were able to conclude a trade agreement to provide a framework for the expansion of trade between the two countries on an equitable and mutually beneficial basis. I am happy to state that since 1971, the Philippines has consistently enjoyed a favorable balance of trade with Soviet Russia.

The new united Vietnam which emerged at the end of the long conflict in Indochina was for a while a source of anxiety among the nations of the region especially because of her long and bitter experience, her demonstrated ideological militancy, and her huge stockpile of the most modern armaments, acquired at the end of the conflict.

This anxiety was effectively dispelled when the Deputy Foreign Minister of Vietnam paid a visit to Manila and signed the agreement establishing full diplomatic relations with the Philippines. Vietnam as of today has tended to show a similar if slightly variant disposition towards the other member-nations of the ASEAN. Bilateral relations do not seem to constitute a problem. During the official visit to the Philippines of the Deputy Prime Minister and Foreign Minister Nguyen Tuy Trinh, I personally negotiated a written agreement for our two countries to settle any disagreement or misunderstanding by negotiations in a spirit of friendship and cooperation. This removes an anxiety arising from our respective occupancy of islands close to each other in the South China Sea which we know as the Kalayaan and often refer to as the Spratleys.

A private trade mission, but sanctioned by the Philippine government, visited Vietnam in 1976 to assess the conditions prevailing in the country and to explore the possibility of expanding trade relations between the two countries. A return trade mission from Vietnam was expected at the end of 1977.

In the same year that we established diplomatic relations with Vietnam, we also resumed, after the disruption of one year, full diplomatic relations with Democratic Kampuchea (Cambodia).

It was immediately after my visit to Peking, on the auspicious occasion of the 77th anniversary of the proclamation of the First Philippine Republic, that I said: "We have grown and matured as a nation, and correspondingly our relations with other peoples and other nations have grown matured. We have

the strength and the capability — and now the will — to be friend and partner of all nations in the search for peace and progress in our time.” Although I was alluding to the normalization of our relations with China, I could have said the same words in reference to the whole process of the normalization of our relations with all socialist countries.

### *RP-Japan Relations*

The Treaty of Amity, Commerce and Navigation signed in 1960 by the Philippines and Japan provided the Philippines with the opportunity to alter the pattern of its economic relationships with other countries, especially to depart from virtual dependence on the United States.

Although the Treaty was not ratified until 1973, Japan rapidly became the Philippines' primary market for copper, bananas and logs. In turn, the Philippines became a major market for Japan's goods. Over the years, Japanese investments and technical assistance to the country have increased and Japanese tourists have outnumbered any other national group.

In time, however, many features of the Treaty were found detrimental to Philippine interests—in some instances, in open conflict with existing Philippine laws. The Treaty, which became effective in January of 1974, was terminated in January 1977. A year of reprieve was granted and the Treaty is now currently being renegotiated.

Political relations between the two countries remain on an even keel. The end of the war in Vietnam has introduced new problems in Asia, causing the Philippines to take a closer look at the prospects of future relations with Japan.

The state visits of Prime Minister Tanaka and Prime Minister Fukuda and my own state visit to Japan reflect the importance we attach to Philippine-Japan relations, both bilaterally and

within the context of ASEAN in the face of changing conditions in Asia.

### *Asean and Regional Cooperation*

We have found our most vital response to the problems of economic development and security in regional cooperation. The Philippines, in this respect, has taken a decisive step towards forging closer economic relations with other ASEAN countries in order to hasten our own development and, together with the other members, to exercise the appropriate leverage in worldwide economic competition.

Recognizing that domestic goals cannot be achieved through purely national means, the ASEAN member states stress, as a necessary condition for economic cooperation, the need for measures which will improve the complementarity of their economies. Membership in ASEAN has enabled us to pursue development programs in cooperation with the other members.

The historic Bali Summit of the ASEAN heads of state in February 1976 demonstrated in forceful terms the political will of the ASEAN community—its resolve to establish an emerging “zone of peace, freedom and neutrality.”

The Heads of Government of the ASEAN countries signed on 24 February 1976, in Bali, Indonesia the Treaty of Amity and Cooperation in Southeast Asia and the Declaration of ASEAN Concord, thereby ensuring the intensification of efforts toward broader relations with our ASEAN neighbors.

The Treaty of Amity and Cooperation was a response to the need for a peaceful settlement of disputes which might arise among the members within the Southeast Asian region. We realized that regional security could be threatened by intra-regional conflicts, and thus provide the classic excuse for external intervention. We agreed, therefore, to follow closely the

policy of non-interference in one another's domestic affairs except in cases of problems which may threaten regional stability.

The ASEAN Concord is a directive from the ASEAN Heads of Government to raise the present level of cooperation in the political, economic, social and cultural spheres. The steps we have taken to promote economic cooperation were considered crucial in the effort to raise living standards in the region.

Shortly after the Bali Summit, a meeting of ASEAN Economic Ministers convened in Kuala Lumpur, to implement the Summit's decision on economic cooperation. Among the important agreements reached in Kuala Lumpur were the implementation of a preferential trading arrangement on basic commodities (particularly rice and oil), and the formulation of the industrial complementation scheme.

In trade, the following measures were agreed upon:

- a. long term quantity contracts;
- b. purchase finance support at preferential interest rates;
- c. preference in procurement by government entities; and
- d. extension of tariff preference.

The group met again in Manila in January 1977.

The Second Summit Conference of ASEAN Heads of Government was held in Kuala Lumpur from 4-5 August 1977. The members drew the blueprint for progress for the second decade of the organization. The members reviewed the development of ASEAN in the first 10 years and examined the implementation of the Declaration of ASEAN Concord adopted in Bali in 1976.

It was at the Second Summit that we announced our country's intention to withdraw the claim to Sabah, hereby ending one of the most divisive issues in our regional relations.

Of particular significance, the Kuala Lumpur Summit afforded us the occasion to talk with the leaders of the region's major trading partners: Japan, Australia, and New Zealand. Likewise, the year 1977 also saw the ASEAN engaged in exploratory talks with the European Economic Community, Canada, and the United States.

In our collective efforts to provide security for our various countries, we formulated the concept of a Zone of Peace, Freedom and Neutrality. Basically, this was designed to prevent interference in the internal affairs of the region by outside powers.

While recognizing the need for universal endorsement of the concept in various international forums, the ASEAN believes that the interest of the ASEAN member states would be better and more immediately served if the concept gained acceptance and support from the other countries in Southeast Asia, specifically the Indochinese states.

Following the Communist victory in Indochina, the ASEAN countries in April 1975, after a meeting in Bangkok, expressed their readiness to engage in friendly and cooperative relations with the Indochina countries. For the most part, however, the states of Indochina have remained cautious, if not reluctant, in dealing with the ASEAN as a collectivity.

On a bilateral basis, however, we have made considerable headway in establishing friendly relations with the Indochina states. In May 1976, we began diplomatic relations with Kampuchea and extended financial and technical aid to Laos. In July 1976, we established diplomatic relations with the Socialist Republic of Vietnam.

### *The Philippines and the Third World*

The new thrust in our foreign policy finds full expression in our closer identification with the countries of the Third World, countries of diverse political persuasions and different religious

beliefs but with which our country shares common aspirations in the struggle for equality, economic independence, social development, and human dignity. The initiatives we have taken in this respect include:

- a. Since 1972, we have expanded our links with the developing countries by establishing diplomatic relations with 21 countries of Africa and the Middle East (Cameroon, Gabon, Sierra Leone, Guinea-Bissau, Liberia, Ghana, Libya, Morocco, Senegal, Tunisia, Mauritania, Central African Republic, Kenya, Somalia, Ethiopia, Nigeria, Sudan, and Algeria in Africa; and Middle East).
- b. In February 1976, the Philippines played host to the Third Ministerial Meeting of the Group of 77, the economic negotiating arm of the Third World countries. From this meeting was forged the Manila Declaration, a program of action embodying the proposals of the Third World in its quest for an equitable sharing of the world's wealth. We were an active participant in the Fourth UNCTAD Conference in Nairobi, Kenya, in May 1976. In that Conference, I took the opportunity to state that the time had come for the dominant powers to renounce their desire for national advantage and to proclaim an end to all unequal relationships which the developing countries have had to accept as former possessions, protectorates or colonies. It is our conviction that the legacies of colonialism, evidenced by the still-existing forms of economic and political dependence and subjugation, are a hindrance to the development of the Third World.
- c. Through the UN and other international bodies, the Philippines has been at the forefront of the struggle against apartheid and all forms of racism. We consider it our pressing duty to uncompromisingly support the cause of the African peoples against rampant oppression and racial discrimination.

Our relations with Middle Eastern and African states have vastly improved. We recognized, from the outset, that this would have an impact on our national interests. First, the energy crisis made imperative a policy of cooperation with the oil-producing countries of the Middle East and Africa. Second, we sought the sympathy and support of the Muslim countries in our effort to settle amicably the strife in the South. And third, it was only with the cooperation of the Middle Eastern and African countries that the Third World could hope to accelerate industrialization and national development through the establishment of a new international economic order.

### *Relations with the Arab Countries*

The Philippines has long pursued a policy of support for the Arab countries in their struggle for a just solution to the Palestinian question. As far back as 1950, our country had manifested a desire for friendly relations with the countries of the region when it became a founding member of the Afro-Asian Group in the United Nations. We have taken positions in various organs of the United Nations as well as in other regional and international forums which indicate our firm support for initiatives leading to the stabilization of the volatile conditions in the Middle East.

It was during the October 1973 Arab-Israel war, however, when oil was used as a political weapon, when we were compelled to take a more active interest in Middle Eastern affairs. Recognizing full well the implications of the event, we joined other countries in working actively for an early settlement of the Middle East dispute.

Philippine policy on the Middle East was reexamined. On the recommendation of the Department of Foreign Affairs, we issued a policy statement on 18 November 1973, defining our standpoint. The key elements included:

- a. A condemnation of forcible Israel occupation of Arab lands as an act of aggression in violation of the United Nations Charter.
- b. A declaration of Philippine support for UN Security Council Resolution No. 242, dated 22 November 1967, calling for the withdrawal of Israeli forces from all occupied Arab territories, the termination of all claims or states of belligerency, recognition of the sovereignty, territorial integrity and political independence of all states in the area, and the right to live in peace within secure and recognized boundaries free from threats or acts of force.
- c. A call for the restoration of the legitimate rights of the Palestinian people.

In addition, we have since then supported various UN resolutions calling for PLO participation in a reconvened Geneva Peace Conference on the Middle East on an equal footing with other delegations. We have accepted the implementation of the UN resolutions inviting the PLO to participate, not only in sessions of the UN General Assembly, but also in international conferences under the auspices of the UN and in the other organs and specialized agencies of the UN in an observer capacity. Finally, we have supported PLO membership in the Group of 77.

As a result of the support given by the Philippines to the Arabs in their struggle for a just and enduring peace in the Middle East, closer and stronger ties with countries in this region have been forged as shown by:

- a. The assurances made by the Shah of Iran of the uninterrupted flow of crude oil to the Philippines at original delivery level after personal representations made by me through the First Lady in Teheran in December 1973. It should be noted that these assurances were given in the face of production cutbacks instituted by other Middle East sources.

- b. The classification of the Philippines as among the nations friendly to the Arab World by the OPEC meeting held at Kuwait in December 1973 and as therefore entitled to regular supply of oil.
- c. The signing of a \$17 million loan agreement with Kuwait in June 1974—the first development loan ever extended by an Arab state to the Philippines.
- d. The signing of a crude oil supply agreement with Iran in July 1975.
- e. The recruitment of Filipino doctors, engineers, technicians, and skilled workers to assist Arab countries in their efforts towards industrialization and development.
- f. The exchange visits between high-ranking Philippine and Arab officials. The visits of King Hussein and Mrs. Sadat in August and November 1976, respectively, as well as the First Lady's visits to Libya are notable examples.

We have likewise taken the initiative towards a peaceful resolution of the Mindanao conflict by establishing contacts and holding meetings and negotiations with representatives of the Islamic Conference and other Arab heads of states.

As follow-up measures to these previous efforts made, we have also adopted other diplomatic initiatives, namely:

- a. Enhancement of friendly relations with sympathetic Islamic states both on bilateral and multilateral bases;
- b. Utilizing of the goodwill of proven allies in presenting the Philippine government's position vis-a-vis the problem in Southern Philippines; and
- c. Increased direct personal contact with Islamic Heads of States and Foreign Ministers.

### *Trade with the EEC*

As an added dimension to what we now call development diplomacy, we are seeking a firmer basis for vigorous trade and cultural relations with the countries of West Europe, particularly the members of the European Economic Community. These countries are important markets for Philippine raw materials and manufactures as well as vital sources of capital goods, credit and technology. To achieve this objective, we sent the Secretary of Foreign Affairs on an official visit to Brussels in October 1972 where he began the difficult task of securing wider entry for Philippine products to the EEC market, obtaining tariff concessions, and working for the removal of non-tariff trade barriers.

Western Europe, particularly the EEC, as a politico-economic bloc, is nearly as powerful as the United States or the USSR. It wields considerable influence in world trade and offers an attractive market for Philippine export products. It is an important source of vital imports, investments, credit, and technology. A firm trade and cultural relationships with the region can balance and diversify Philippine economic relations with other countries such as the United States, Japan, the Socialist countries and the Third World, thereby avoiding undue over-dependence on a few markets. It is for this reason that Philippine foreign policy will continue to give the region increasing emphasis in the future.

### *The Philippines and the United Nations*

Finally, we have made it also as one of our policy guideposts to support and strengthen the United Nations through a review of its Charter and the adoption of other measures to increase its efficiency and effectiveness. During the past three years, for instance, the Philippines:

- a. Participated actively in updating the UN Charter.

- b. Worked for the promulgation of an International Code of Ethics in the United Nations.
- c. Provided support for the rights of people who are still under colonial rule, for their rights to self-determination, and for their rights to independence and eventual membership in the United Nations.
- d. Supported international measures to put an end to terrorism.
- e. Supported all UN moves for world disarmament.

The broad sweep of these efforts, our attempt to forge a foreign policy based on a more realistic appraisal of internal conditions and a clearer perception of our national interests—this is our new diplomacy. It is certainly one of the most outstanding achievements of our New Society. But this new diplomacy can only survive and develop to the extent that the society which gives it expression continues to mature.



## Chapter VI

### *The New Political Bond*

WE began with the understanding that the political processes prior to September 21, 1972 were corrupt as much as they were corrupting. This was neither a reflection of moral want on the part of the Filipino people nor a fact which developed overnight.

Yet, those who delighted in the travails of newly-liberated peoples, because these seem to them to be so indicative of the need for colonial guidance, seized upon the violence and waste that attended those processes as if these were some form of national perversion. It was insult added to injury, for in a very profound sense political corruption was a colonial legacy.

With our usual “genius” for innovation, we Filipinos improved on the model somewhat, and imbued it with those peculiarities that had made political corruption in the Philippines seem so distinctly Filipino. But this alone—the transmutation of something initially transplanted—did not call for those supposedly disinterested but so obviously imperial efforts to present it as indicative of predilections peculiarly Filipino or—what is even

worse—peculiarly Asian. If colonialism had only one characteristic, it would be the shortness of its memory. The basis of political corruption in the Philippines was ward politics, the system of spoils and patronage—lessons learned at the knees of our colonizers. In addition, the particularities of a poor society divided into rich and destitute classes, and the pressures of simple, day-to-day survival upon a poor people, proved to be devastating ingredients when combined with those time-tested lessons so eagerly absorbed during our period of political tutelage. The result was nothing less than the perversion of the democratic processes, the distortion of politics from an instrument for the achievement of national and social intentions into a system of individual and personal aggrandizement.

This perversion of the political process is especially evil in a developing society such as the Philippines, where the government must exist for one purpose, and one purpose alone: to develop the mechanisms and the bases for the achievement of that society for which the poor—the overwhelming majority of the population—have been historically clamoring. It will not do simply to describe the rebellion of the poor, to note its existence, to pay verbal obeisance to its righteousness—to do so merely would be to incur the condemnation of history and to risk a social confrontation in which the entire nation will suffer. The political process must serve that rebellion rather than fan it further; it must respond to it rather than violently repress it.

### *The Rebellion of the Poor Revisited*

This rebellion, to be sure, had political as well as economic undertones. Not only wealth, but power as well, had been concentrated in a handful who could manipulate the political process at will in the service of their economic interests. The dialectic between power and privilege was a closed circle which the poor were unable to break, which fact, therefore, so well fitted into the insurgent thesis that violence alone on a scale massive enough to destroy the state and all its instrumentalities could, paradoxically,

ally, enable the poor to erect political instrumentalities responsive to their needs. The economic and political oligarchy was, in this sense, its own worst enemy: it guarded its privilege too well, it utilized existing political processes for the preservation of that privilege—a choice that achieved its purpose in the short-run but which was strategically short-sighted, for it thereby risked a vast paroxysm of mass violence.

The difficulty of course was that not only the oligarchy could be swept away by such a paroxysm which would have been largely its own making. The entire nation would have been irreparably damaged, the people divided against themselves, the national unity which had not even been completely achieved, but which we had painstakingly striven to create among a people as diverse as any in culture and outlook, beyond achievement. How typical of the oligarchy that it should not only be irresponsible and short-sighted, but also deaf to the urging of history!

For make no mistake about it: the political economy of underdevelopment, with its concomitant of mass poverty and mass disillusionment, was, on the eve of Martial Law, inexorably working itself out. It was there for all, except for the truly blind and the truly deaf, to see and hear: in the escalating violence in our cities and in the countryside, in the increasingly reckless calls to further violence, and, most of all, in the growing despair and resignation of vast sectors of the population. It was only a matter of time; our entire society was, even more rapidly than in the past, sliding into disaster.

Why had such a situation come about? Quite simply because the needs of power had ceased to be social, to the extent that our society was no longer capable of even writing into the law an imperative as vital as land reform. The political process was the preserve of the few; the many were reduced to acting out an exercise in self-mockery, in terms of voting into office the same men with the same limited intentions, to whom the suffering and the plight of the vast majority from whom they derived their

authority was meaningless and even perverse. To mass suffering and mass despair, there was only elite contempt and indifference. Increasingly, therefore, our people were finding it more and more difficult to resist the call to violence, with its seductive promise of historic and personal vengeance, and its proffered vision of a better world.

### *The Imperative of Reform*

It was obvious then that the political side of the equation as much as the economic would have to be restructured, in order to initiate an interrelationship in which one would not subvert the other. Our answer to poverty was economic and social reform; our answer to the corruption of the political process, which had made poverty the virtually immutable condition of life of the majority of our people, was the reform of the political process and the transformation of the political structure.

This is a long and difficult process, for we are dealing not only with institutions whose transformation would be resisted, not only by those who most benefitted from it, but also by traditionalists whose conception of political democracy was limited to Western examples. Unchecked power and irresponsible privilege were, at the same time, so deeply entrenched like a resistant cancer in the old society that the effort could be, and was, indeed, met with threats of violence.

The cancer had to be excised and it was necessary that the operation be swift and sure. The alternative was further division, perhaps civil strife.

The dismantling then of private armies, with which political warlords had terrorized the people and denied their will; the eradication of the centers of wealth and privilege from which redoubts the oligarchy corrupted both themselves and the people —these were as much a part of our deliberate efforts to create new political bonds among the people as were the later steps to

create the instrumentalities of mass decision-making and participatory democracy.

While it was then my initial decision to immediately institute changes in the sphere of governmental administration while the bastions of special power and protected privilege were being dismantled, I simultaneously began also the creation of new instrumentalities for the achievement of the above purposes.

The temporary character of Martial Law was conditioned by, among others, the evolution of those political forms which, because they have done away not only with patronage, demagoguery and the protection of elite interests, would make it unnecessary. Martial Law, if it were to achieve this, would have served its purpose: to create the very conditions that would make it, with its connotations of coercion and authoritarianism, totally irrelevant.

From this standpoint the initial period of national discipline was the precondition for the exercise of larger freedom. Among others, national discipline implies and demands political discipline, not only among those who would exercise authority but also on the part of the people, who, having lost their faith in the political process, have had to learn all over again that it is their main, perhaps their only instrument, for the achievement of their deepest hopes.

Political reform therefore did not entail merely the restoration of processes alleged to be "democratic" or the superficial modification of existing institutions. The internalization of political discipline was vital, in terms of the recognition that demagoguery, mere rhetoric and the system of patronage were as much destructive of the people's interests as they were ultimately in the service solely of a handful.

The point cannot be over-emphasized: the electoral process had not only manifestly failed to realize the historic clamor of our people for true democracy and a just society; it had also made widespread the notion that political participation was

solely an opportunity for personal gain and not an instrument through which the lives of *all* may be transformed for the better. This conclusion was unavoidable, of course—the defunct Congress and the councils did little to represent, much less fight for, the interests of the poor in our society, of whom there are so many. Not surprisingly, it failed to create the kind of legislation and national policies we so urgently need for our national survival—and not surprisingly, either, the people regarded the august members of these bodies with contempt, derision and distrust. It was nearly a truism before Martial Law for our people to think that to accomplish certain community purposes they had to rely on themselves; for personal advancement—for example, to get a son or daughter a sinecure—they turned to Congress.

### *Barangay Democracy: A New Political Covenant*

Long before the proclamation of Martial Law, I had had the occasion to dwell on these sad realities. I had recognized the fact that for a democratic political system to be viable in this country, sufficient foundations must be laid for it, in terms of the real recovery by the people of their control over national affairs and their subsequent realization that government must serve national and social, as opposed to individual and personal interests. The democratization of political power, as much as, indeed as an indispensable corollary to, the democratization of wealth, was an undeniable imperative. I initiated, therefore, the creation of the bases for Barangay Democracy: for the development of the Barangay is the basic vehicle not only for the achievement of political normalization but also for the restoration of political power to its rightful owners, the people.

Although the Barangay goes back to our pre-Hispanic past, the Barangay as the basic political unit that it is today is not the mere restoration of an ancient political institution. I have had the occasion to state that while its origins are indigenous to our race, the Barangay today is the *basis* for a new institution, for

nothing less than the eventual realization of the exercise of real people's power.

The ancient Barangay was a community of from 30 to 100 families; it was, within limits, self-contained, and was, presumably, a happy society. Although led by a chief responsible to a council of leaders, it was a consensus community, in which members made decisions and solved collective problems together.

The destruction of the essentially democratic structure which the Barangay was we have long had the occasion to lament. It seemed that then, before the Spaniards touched these shores, through the Barangay we knew what democracy was, and in its practice affirmed our collectivity.

But we cannot remain forever grieving over the fate that history has conferred upon the ancient Barangay, lamenting those days of lost innocence. We can build on it, however: the Barangay as an indigenous political unit, adapted to the demands of a developing society.

Before Martial Law, the barrio was the basic political unit of the government, in keeping with the Constitutional mandate to provide local government the widest range of autonomy possible. But this was more honored in the breach than the observance. The barrio was *not* the Barangay, although it claimed the Barangay for antecedent, for the Spanish colonial regime had divested it of its independence and initiative, its traditions and collective spirit. Throughout the colonial era, and up to post-independence, the barrio *was* stagnation, misery, despair: the virtual center of the Filipino anguish, for no less than 60% of our people.

Twenty-nine million Filipinos live in 42,000 barrios, where they live marginal lives dependent on subsistence agriculture, suffer from malnutrition, intestinal and skin diseases, poor hygiene, and lack of medical attention. Per capita income is far below the national average.

Neglected, unable to resolve these problems, the barrio was nevertheless actually a formal organization. Before 1963, a barrio lieutenant headed the barrio. He was appointed by and was a figurehead of the municipal president, and, later, of the mayor. It was inevitable that in such a situation, the barrio head should be, more often than not, beholden to those who appointed him. The result was continued stagnation, and, among the barrio people, resignation and despair. Many therefore migrated to the cities to swell the already teeming slum populations and to strain further the limited resources of our cities.

The barrio charter (RA 3590), meant to correct such a situation, was passed in June, 1963. The barrio captain and the council were henceforth to be elected and the barrio assembly invested with political authority.

But these measures were insufficient; within the larger system of political patronage, the barrio charter's intent remained unfulfilled. After the declaration of Martial Law, then, through Presidential Decree 86, I took the first step towards the radical reorientation of the grass roots mechanisms of our political system away from the politics of patronage, the indifference, and the apathy which for centuries had prevented them from becoming true expressions of the people's will. Under the terms of this decree, Barangays were created in Manila and other Chartered Cities. Decree 557 later changed the barrio into the Barangay so that it may truly be the basic political unit of Philippine society.

Organized initially as citizens assemblies for the purpose of facilitating national consultation of the electorate by the crisis government, the Barangays rapidly became the basic political unit of our society. They became in time self-sufficient entities, proprietary in nature to serve community interests and goals, and public in character to serve as agents of the state.

In various areas of national endeavor, the Barangays have become an effective channel for action at community level. And

they proved themselves early during the food and energy crises in 1973 and 1974, and in the campaign for civil order.

In successive national referendums and plebiscites, the Barangs functioned as effective forums for the discussion of public issues as well as for the crystallization of popular interest at the community level. Here, the crisis government was to find the true fount of support for its programs of reform and national development.

That the Barangay is truly a key factor in the process of political normalization may be seen in its rapid evolution into what it is today. At the start, it was a forum for community action and for national consultation. Before long, it sired the Sangguniang Bayan and the Sangguniang Pambansa, as a medium for the people's gaining broader and greater control over local and national affairs. And long after, it provided the principal impetus for the convening of the legislative advisory council, the Batasang Bayan.

Viewed in the whole, the nation has been engaged in a process of evolving what would be the people's most effective forum, from community to provincial, to regional and then finally to national level. That the barangay and the Sangguniang Bayan have effectively displaced the politics of the past in conveying to government the popular will is still perhaps open to question; but there is a vitality and dynamism to the Barangay system today that lends promise to the new initiatives for the holding of national elections to the Interim Batasang Pambansa this year and the elections of local officials at the latter part of the year.

Through the Batasang Bayan, a new election code has been written which henceforth will govern and ensure the peaceful and orderly conduct of elections. Some citizens have voiced their concern that elections connote new dangers to the gains of the New Society, but this is a test that the society must sooner or

later face if it is to remain firmly on the road towards greater democracy.

Two or three years ago, such a step might have been indeed perilous for the New Society. But in the interim, much change has taken place in the national life, much has been gained by the people in their effort to gain greater control over government, and these provide in themselves strong foundations for a new decisive initiative in the political sector.

Perhaps even more important than this, the Barangay has become the main instrument for the achievement of a national consensus. Partly because of it, we are evolving into a *community*; we have begun to function as a nation.

The methods and operations of the Barangay are essentially democratic in character: this is the key to its success in developing that collective spirit so necessary to the epic task of nation-building, but which once we lacked so conspicuously.

The base of Barangay democracy are the people; and although heads of families are the ones expected to participate in Barangay deliberations, anyone of age is not denied participation. This principle is central to the Barangay: if discussions are not truly democratic, if again the old feudal authoritarianism were to prevail, no consensus in its true sense can be realized. But democratic participation assures responsibility, awareness, a willingness to work, a determination to finish the tasks ahead, to achieve certain goals.

The Barangay, therefore, represents an indigenous experiment in the creation of democratic instrumentalities which would eventually restore power to the people; initiate political development even during a period of crisis to the extent that a new covenant of faith between leader and people may develop; lay the groundwork for the restoration of normal political processes; and, hopefully, develop our political institutions so that the government will *be*, eventually, the people.

We hope, thereby, to go beyond the concept of the "consent of the governed" into a situation in which the governed not only participate in the political processes *but are themselves their own governors.*

The Barangay and the Referendum have been our main instruments for laying the bases for such an ideal situation, in which a truly free people, aware of their rights and their duties, will go about the necessary business of exercising political power as the means for their individual and social liberation.

The various referendums which have been held under the New Society have therefore been intended to function for this purpose. The act of decision-making is in itself a politicizing and disciplining process, and the people have thereby achieved a new level of responsibility as well as unity.

We should not, however, regard the political bonds that have developed among the people during the last five years as final and unchanging: their evolution continues, they develop and are strengthened in the course of their meeting new challenges. But they have a distinct achievement in their favor: they have made possible the exercise of larger, more meaningful freedom, and the achievement of a national unity founded on the realization that we are all one people for whose collective destiny the success or failure of the evolving political system is crucial.

## THE INTERNAL REVOLUTION

It has been my observation, in the course of studying and writing about history, that the economic and political factors frequently assume an inordinate preponderance in the various explanation of the emergence and condition of societies. In many ways, this state of affairs appears unavoidable since economics and politics are only too conspicuous, and invariably decisive, in the historical development of societies. Paradoxically, however, it is Marx himself, whose materialist "determinism"

is as widely known as it is misunderstood, who has drawn our attention to the importance of the "superstructure," the "structure of consciousness" which reflects the socioeconomic premises of society. Consciousness, according to this theory is not simply the mirror image of material conditions; it interacts with economics and politics and determines, to a large extent, the *pace* at which society develops.

Whatever Marx's theoretical failings, he has provided us, in this instance, with a significant insight into the dynamics of culture. In more recent years, Franz Fanon has demonstrated the vital function of consciousness, or the lack of it, in reinforcing colonial rule. Colonialism debased the Negro; the (physically and mentally) debased condition of the Negro permitted him to increasingly accept the fact of colonialism.

The fact is that culture, however intangible, is only too concrete and pervasive. It reflects the manner in which we perceive ourselves; it defines our identity. A community oriented along colonial lines can never be free and creative—indeed, can never even posit an alternative condition of freedom and creativity. This is particularly relevant to us: a former colony of Spain and the United States for well over three centuries, we have imbibed and have yet to shed the vestiges of what has now come to be termed a "colonial mentality."

In *Notes on the New Society* (1973), I took occasion to point out the pressing need for an internal revolution. I called attention to the reforms that begged to be initiated in the vast areas of education and culture. I identified the following problem areas: problems of national identity, problems of reorientation and administration, of renewed vigor, fresh vision and the firmest resolution to carry through plans and programs.

In order to appreciate our cultural conditions today, let us briefly turn to our historical past.

### *Vestiges of Cultural Imperialism*

Although the indigenous peoples of the Philippines possessed homogenous “barangay cultures” which dated back to our prehistoric past, contact with outside cultures prevented the indigenes from consolidating the barangay states into one body politic with a central political and administrative authority. The relatively low level of economic development and social organization could not, in the first instance, provide sufficient strength to withstand colonialist intrusions. The intrusion of Islam in the fourteenth century aborted the integration into a nation of the collection of barangay settlements scattered all over the archipelago. Over the religious and ideological encrustations of Islam, the veneer of Spanish civilization was subsequently superimposed. Half a century of American and three years of Japanese occupation completed the layers of cultural encrustments.

One of the concomitant results of the several waves of cultural imperialism that swept over the archipelago has been the inculcation of a colonial mentality among Filipinos. Within the fabric of Philippine society were classes of Filipinos who had internalized the lifestyles and world views of the colonizers. Some internalized the best of the foreign cultures. Others the worst. These were the inner colonials who had, in a sense, replaced the external colonials.

In the process of colonialization, the indigenes were weaned away from their base culture and deprived of their sense of identity as a people. Having developed a dependency syndrome, they were hardly capable of forging a collective will to steer the course of their destiny as a nation. Their lack of national identity in turn weaken their capacity for national survival.

### *The Imperatives of Cultural Liberation*

One of the most crucial tasks we faced after the declaration of martial law was to mend the tattered fabric of our society,

to resuscitate the dying spirit of the nation. Clearly, the strategy for decolonization lay in a cultural liberation program directed toward an understanding, appreciation and internalization of our rich cultural heritage as a foundation for developing pride in ourselves as a people. The strategy for cultural liberation was intended to awaken the Filipino from his "cultural amnesia," to enable him to see the culture he once proudly possessed, the indigenous traditional beliefs, mores, and values that extend back to thousands of years.

In order to give full expression to the purposes, aims and goals of the New Society, it was necessary to launch simultaneously a comprehensive program of much-needed reforms and initiate innovative ones covering all aspects of society and culture. The two-pronged thrust was directed at two types of transformation: a reform of society's political, economic and other institutions, and a reorientation of the individual's system of values, attitudes and beliefs. The approach was based on the recognition that meaningful and lasting change entails the reshaping not only of the existing social order but also of the consciousness of the individuals that together make up that order. It was envisioned that whatever intermediate gains the reforms would achieve would eventually converge upon a single common purpose—the attainment of organic unity within the body politic. In the final analysis, the strength of the democratic revolution would hinge on the ability of our people to work as one in the pursuit of the goals of the New Society.

In *Notes on the New Society of the Philippines*, I have clearly intimated that for a people to effect internal revolution, both collective will as well as individual striving are required to bring about such a collective will, the central leadership has provided both the initiative and direction towards creating the infrastructure for material things. However, it is not only with attempting to satisfy our material needs that we must concern ourselves. The other side of the coin demands that individual striving be effected through the regeneration of the self.

The democratization of wealth we shall continue to pursue as our core thrust but internalizing the democratic revolution remains a more basic and urgent task. The pursuit of such a task can only become an enduring success if we make the objectives, principles and ideals of the democratic revolution a *part of our being*.

Making it a *part of our being* is the challenge all Filipinos are asked to face. Man, woman, adult and child must look into himself to contribute his importance and his worth. Reconstituting Philippine society cannot be relegated to just a few, nor to the outsider. It must be the Filipino who must choose to make of himself the creature he wishes to become.

How can we really honestly go about resculpturing the heart and mind of the Filipino? I am suggesting seven concepts which we can use as policy and conduct in this difficult job of creation. These concepts are the distillation of the collective will of the Filipino people and, therefore, constitute the working principles under which the New Society operates. We shall call them the seven pillars. They are the firm and upright support for the New Society's cultural awakening.

Much of these concepts have already been put to work. But, again, it seems that the majority of our people have not fully grasped the full intent and meaning of internal change. I have been made to understand, time and again, that the New Society has brought about a lot of discomfitures and uneasiness to many. The youth, they say, get frustrated while the old has become indifferent. Many see external changes taking place at a slow, measured pace. This momentum taxes everybody's patience.

But changes simply do not mushroom overnight. The gains we have so far achieved can be nullified by indifference. Wrong attitudes can even negate them.

The material and physical benefits that have been derived from the reforms that were instituted must be balanced by the *internalization* of the democratic revolution. Filipinos must recognize and accept this condition that inner transformation must be an act of moral will. This is the revolution I have been trying to put across, a revolution with a humanist dimension, a revolution that shall not only clothe our naked backs but also bring pride back to us as a nation and as human beings.

Let me therefore put these concepts in operational dimensions. Each of these seven moral postulates has guided the New Society since its inception and each shall continue to be its working principle to achieve set goals. One principle is closely interlinked with the next until all become an expanded formula for our ways of thinking and behaving as a distinct people. We must be purged of centuries of unproductive vices and these seven moral postulates shall guide us in this cleansing experience. Internal revolution is no other than this moral act of self-renewal:

1. *Filipino Identity*—Faceless for centuries, the Filipino has worn a succession of masks imposed on him by alien intruders. No one really knows the depths of his confusion and bewilderment; no one can truly measure the intensity of his hurt and shame. A moving shadow, he drifts aimlessly. Feeling unworthy of his own true self, he embraces other peoples' values and claims them to be his own.

To be a dynamic instrument for nation-building and social reconstruction, he therefore seeks to recreate his identity. He must get back to his roots, his culture. Necessarily he must, for the culture of a people is their covenant. It is the distinguishing mark, the source of identity that sets them apart from other peoples. It provides the inner strength that shapes the collective

will of their body politic and the structure of their national society.

The process of such a rebirth is not only monumental; it is also as complex as it is creative. In the resculpturing of his identity, he must, with all consciousness and consummate skill and artistry, dedicate every detail of his acts and thoughts as purposive ingredients in the process of the creation of the new Filipino.

2. *Nationalism and National Unity*—A man who is not proud of himself will never have cause to be proud of a larger entity—his nation. National unity can only be had after the individual has learned to be proud of himself. National unity becomes the foundation on which a new nation is built. It gives rise to a consensus for all that matter most to the nation.

Nationalism and national consciousness transcend individualities. The individual becomes subsumed to a national society mobilized in harmony to advance national interest and for national survival. Nationalism entails that everyone transcends the divisive parochial demands of ethnicity, creed, social station and occupation, and move on to the larger concerns of all the people.

Basic to this concept is a central political authority which can focus and mobilize collective strengths and capabilities of all individuals and all groups on the common aspirations and goals of the entire national community.

3. *Social Justice and Equality*—This principle is anchored on a definite and deliberate plan of action to transform the great mass of our people into full participants in nation-building. The change of heart and the change of mind can only be for the better if the direction of transformation leads to the concern for fellowmen.

To put this principle to utmost use, not only built-in constraints inherent in the existing system must be dismantled; by necessity positive intervention of the central political authority must be effected to equalize opportunities and alleviate the poor and the downtrodden. This is where the positive functions of the state or government come in.

The present dispensation must be understood in this regard. When the full force of martial law authority was harnessed to bring about the reforms needed in the New Society, it was merely giving substance to the rebellion of the poor. It was an emphatic gesture of "concern for fellowmen." Emphasizing the land reform program as the cornerstone of the New Society is meaningfully instituting social reforms to benefit the broad masses of our people. It was also a means of providing complementary concern to the restoration of order and the securing of the Republic.

But social justice and equality should not be the special domain of concern of government. The private sector has much to contribute toward providing opportunities for everybody to improve his station in life. The assistance and the initiatives the government has committed to business and industry are designed to strengthen the business community. This has been our policy and hence, our free enterprise system still relies on the important role of private business to do its share in the task of nation-building.

When this objective of social justice and equality shall have been achieved, the Filipinos will have begun to humanize their society.

4. *Participatory Democracy*—The indigenous people of the Philippines possessed homogenous barangay sub-cultures

which developed from the prehistoric past. Participatory democracy in these barangays was a vital democratic ingredient of governance. The incursions of exogenous cultures do not necessarily mean that an ancient social experience has ceased to be functional.

Participatory democracy is still very much relevant to the contemporary, changing, and complex situation. It can effectively work out for the present. The revitalization of this democratic process will provide new dimensions for the Filipino's penchant for doing things the way he wants them and in the way he believes he can best do them.

This means evolving new formulae where the spirit of untrammeled participation as well as the conflicting demands of specialized interests can be given full play, at the same time, resolving them satisfactorily.

This hope is not empty. I have known the Filipino well. He has not failed tests; he has always been equal to challenges. Participatory democracy is not a new concept. The Filipino people are asked only to seek its fullest utilization.

5. *Development and Prosperity*—Man, for all intents and purposes, is still the center of any nation's strivings. Development efforts geared toward anything other than the uplift of man himself becomes an irrelevant enterprise.

With this in mind, we shall be guided in placing the proper stress on developing the human potentials of our people. Requisites to this are a set of related variables. First and foremost, there is the imperative to restore a sense of rightness in the society with respect to the sharing of the fruits of production and of the benefits from them. Wealth and comfort should not be the monopoly of a few just because they have the resources and the

recourse to make things come to pass. Such amenities of life should be enjoyed by all. The weak should be helped by the strong.

Secondly, those to whom the custody of the national patrimony is entrusted should take cognizance of the fact that their privilege as stewards requires a corollary social responsibility. Those who hold the keys to the barns and the storehouses do not have the right to plunder, much less use the country's resources, to enrich themselves. The government official is only a custodian; he is only an instrument in the improvement of the lot of many.

Thirdly, it is the inescapable duty of the leader to promote the nation's welfare to further its advance as one of his first tasks as well as his high priority amongst his other responsibilities. This is the essence of effective leadership. The people and the leaders must be united by a covenant of mutual concern for the judicious use of the nation's resources. A people who shall not have to worry whether they have food to fill their bellies shall have the opportunity to concern themselves with the higher goals of life.

Development and prosperity not only ensure the regularity of one's daily bread; they provide the vitality that fills both the thirst for productive labor and creative contemplation.

6. *Freedom of Belief*—This sums up the many freedoms that make up the essence of the culture of the new Filipino. Freedom of speech, freedom of assembly, freedom of the press, or freedom of worship are not only liberties from the constraints that fetter him to a narrow range of action, but these are, above all, freedoms to accomplish what he sets out to do, and for which he has need of the proper means to do it.

If freedom of choice demands freedom from restraints imposed by others, it also requires that that same freedom be guaranteed others. However, the highest of freedoms is freedom of belief because this freedom is tolerant of the choice of means, or even goals, by one's fellows. Tolerance and respect for other's views take the place of egocentrism, parochialism, and fanaticism. The individual becomes bigger than himself.

7. *Internationalism: Oneness with Mankind*—Central to the philosophy of nation building is that the goals of man must be pursued and attained in the dynamics of action and of interaction.

In its actions and decisions relative to other nations, the Philippines will seek to demonstrate the logic of its own internal development. By joining hands with other nations, Filipinos shall project, with the cooperation of like-minded peoples, example after example of the ways by which different peoples can be integrated fully into a moral community as valuable participants thereof. There are ways by which their diversity can be put at their service, and in the service of others.

The internal revolution is understandably a long and painful process. The way that leads to it is not, however, vague. The seven moral postulates are both steps and strategies that are not neither feasible nor insurmountable. All we need as a people is to recognize that the need for change requires of us our moral reserve. Our nation will only be strong as we, the people, are willing to make it.

This task of internal revolution may take us back into the dim recesses of past memories in search of archetypal patterns of ways of doing, thinking and believing. It may take us out of the realm of our own

selves and be integrated as participants in a bigger and wider social order. All this becomes meaningful when we change our attitude and our outlooks. It is a necessity to change institutions, to effect new social arrangements, to organize a new government or to establish a New Society. The most dynamic innovation that must accompany these changes is a change in man.

### *The Challenges Ahead*

A philosopher once said that complete *humanitas* implies *civitas*, that the fully developed man is necessarily a citizen. The end of human development is citizenship, while the end of all his actions is the political good. And so, to participate in the political process is an inherent responsibility of every citizen—this every Filipino must not only internalize; this he must also exercise. For is it not often said that a people gets a government that it deserves?

Whatever our individual persuasions might be, all of us share a responsibility to get involved in and to utilize the political process to reflect our collective political thinking. We should exercise our right of suffrage in a civic and patriotic spirit without regard to personal selfish ambition. We should recognize that the right of suffrage is no less a fundamental obligation we owe to the nation as it is an articulation of the political faith we live by.

Not so long ago, I had the occasion to say that to change institutions, it is not enough to reorganize social arrangements; relations between man and society—between man and man must change. The idea that government should change everything while we, in our individual and group capacities, remain passive, is certainly inviting disaster. I have reorganized the government as a swift response to this challenge, but a change is necessary *in man*, and not only in his institutions.

The reciprocity obtaining between institutional restructuring and innovation and the cultural reorientation of our people is mutually reinforcing. Consider our continuing attempts in reorganizing and strengthening our social and political system, in particular, the bureaucracy. Virtually the same baneful Old Society bureaucratic ills—graft and corruption, laziness, tardiness, courtesy, dishonesty, red tape, and incompetence—crop up time and again. Backsliding seems to be on the upsurge. The tribe of notoriously undesirable bureaucrats appears to be increasing. These elements will have little place in the society we seek to build.

A continuing internal revolution is vital if we are to comprehend the meaning of public service, of effectiveness and efficiency. Ultimately, bureaucratic ills reflect a poverty of human character which are simultaneously resolved by institutional and attitudinal reorientation. No less than an internal revolution that touches upon the hearts and minds of our people is demanded. As Mabini once said: "In order to build the proper edifice for our social regeneration, it is imperative that we change radically not only our institutions but also our ways of thinking and behaving."

All the great religions of the world, all the great moral systems, hold these words to be true. And they are no less true for all societies dedicated to man as an end.



## Chapter VII

### *The Politics of Development*

**I**N our survey of developments in our country over the last five years and our examination of conditions in national life today, one theme above all emerges: it is the fact that developments constitute a continuing process whose conclusion has not yet been reached. There are indelible accomplishments to be seen in the record—the rise in incomes, the improvement of services, the growth in national productivity, the surge of the sectors of society, the quantum leap in public investments, the growth of employment opportunities—but the greatest achievement has been the building of national capabilities for the confrontation of crises, challenges and opportunities.

And this fact provides us the key to an appreciation of our prospects for the future.

In weighing developments in our country during these years, some observers of national affairs often note that the accomplishments are still marginal compared to the social, economic and political problems that we must yet confront. They remind us that we are still a poor developing country, that per capita

incomes have not risen fast enough to cope with needs, that the situation of our poor is still adverse and critical, that the national economy has not attained full modernization, that there are still many slums that blight our cities, that we have not succeeded in providing land to all our farmers and jobs to all our employable. They perceive the extent of growth and conclude that it has not been sufficient.

The poverty of this viewpoint is that it misses what is of such vital importance to our developing society. It neglects to note that development does not take place in a vacuum, that it demands much effort and experimentation, and that before things actually change there has to be qualitative change in the capacities of a nation for development.

It neglects what is finally crucial in our efforts to resolve our problems: *realizing the conditions for sustained national development.*

"There is little question," judges the World Bank Country Report of 1977, "that the Philippines has the physical and human resources required for the sustained economic improvement during the next few decades and *its equitable distribution*. Moreover, recent economic and social reforms have contributed to a policy environment more conducive to sustained economic growth."

On the other hand, The *Far Eastern Economic Review Asia 1976 Yearbook* reported that the Philippines' major foreign creditors meeting as a consultative group in the World Bank in Paris (in October 1975), concluded that "the prospects of the Philippine economy *were very good*" and that, therefore, it was appropriate for the Philippine government to generate \$600 million in additional foreign loans for 1976 (up from \$500 million in 1975) in order to maintain the pace of infrastructure development." (Italics mine).

Grindlays' Bank Ltd., in a study called "Philippines Past, Present and Future," cited "the improvement in the government's current finances reflected in part the more efficient collection of income tax, including the implementation of various tax amnesty programs but also increased customs duties while a higher level of economic activity also enlarged the tax base."

Finally, the Philippines received a citation from the *Lombard Advisory Council* of London, a prestigious association of international economists and business leaders who monitor economic programs around the world every year. The Council cited the Philippines "for an economic performance that was so successful in attacking inflation and other problems (the pace of the rise in prices a cut to less than four percent in the second half of 1975) that it earned the highest praise from the aid-giving countries," including the United States and Japan.

As a matter of fact, despite the runaway inflation in the international economy, the Philippines is regarded by most economic experts as one of the five countries which have successfully coped with inflation and *even unemployment*.

For we have generated by this a momentum of growth and development the likes of which we have not experienced in all our history. In every sphere—in the increase of productivity, the growth of incomes, the development of the rural areas, the expansion of social services—the growth rate has been unprecedented and the scope of change has been dramatic.

This fact must have influenced the judgment of World Bank Consultative Meeting on the Philippines in Tokyo last December, which observed in its final report that "the Philippines would be able to generate \$750 million to \$800 million of official development assistance in 1978, and substantially higher amounts in the succeeding years."

By way of contrast, we were hardly this kind of country at the start of our bold recourse to crisis government. Our affairs—economic, social and political—were hopelessly mired in paralysis and stagnation, and even the best prognosis then could only commend to us the necessary reform of our institutions.

The true verdict on national life today is to be found finally in neither the assertions of the staunchest supporters of government nor in those of its dedicated critics and detractors; it can be seen in the estimate of those international institutions that periodically survey the development prospects of the less developed countries.

### *The Challenges Today*

But the development process we have begun is precisely what it connotes: a start in the right direction, an initiation of a long process, for which greater effort is demanded. After the machinery of command has been successfully secured by government, after planning has done its massive tasks, after the necessary reforms have been launched and made effective in law, after critical projects are started—the larger challenge arises. This is the challenge of efficiency, of giving continuity and permanence to the effort at transformation, so that then the entire effort becomes a coherent and functioning vision of the society.

This challenge we face today.

First on our national agenda is the normalization of our political life and the methodical construction of a truly democratic system. Our progress over the last five years have been won by the exercise of emergency powers and command, and we must now prepare the way for the normal operations of viable and enduring political institutions.

The convening of the Interim Batasang Pambansa, which shall take over the tasks of legislation from the crisis leadership is the first step in this important evolution. We have reason to

be confident that this new legislative body will not be a mere replica of the old Congress, because the IBP is in fact the outcome of pervasive political reform at the grass roots.

The strengthening of local governments, and the forthcoming local elections, will complement and stabilize the various reforms we have effected in the conduct and administration of government.

For let us not mistake it: political will is as necessary today, as it was yesterday, in the fulfillment of national purposes and aspirations.

These changes connote the extension of public authority to a broader nucleus of leadership, but I am confident that this will not diffuse the national political will to develop and modernize.

Second, government must attend now to the acceleration of productive efforts of our society, to see to it that our targets are met, that bottlenecks are immediately cleared, that no part of the process fails to function efficiently and well.

This will demand constant attention to practical realities, and persistent experimentation and management of the ways and means of making progress.

The successful initial programs we have launched must now be promoted along a broader front to achieve more substantive goals. Our programs in agriculture and industry must now be tested on a wider scale. And new inputs must constantly be infused into the economic effort.

Our development plans — for five years, for ten years, and for the rest of the century — are nothing more than a comprehensive blueprint, which cannot be actualized without our active and dedicated ministration and care.

Third, greater emphasis must now be directed to the satisfaction of social needs as we have in fact already began to reflect at this stage in our national development plan. These

are in particular the intensive expansion of social services such as housing, health, nutrition and welfare, and the broadening of social opportunities in the area of employment and education.

The attitude we must maintain in the social sector is that social investments are not only distributive of rewards, they are investments in the vitality of our human resources. The welfare of our people is the real fuel that makes the process possible and continuing.

Finally, we must attend to our residual problems in national security and public order. The threats to national stability remain, and we must not delude ourselves into thinking that martial law has completely wiped out the challenges to the state.

Insurgency and rebellion are the fundamental threats to national security today, and their unswerving goal remains the overthrow of our duly constituted government. In Southwestern Mindanao and Sulu, a new wave of terrorism endangers the peace and the safety of communities. In other parts of the country, the Communist insurgency is rebuilding in the aftermath of the setbacks it has suffered.

Our vigilance in this sector must be total, for only a climate of security and order can ensure the successful and persistent pursuit by the nation of our development goals. Any disturbance in this sphere will also have deep ramifications in terms of the attention and the resources we focus on development problems.

### *The Mirror of the Future*

History, it is said, is hindsight; preparing for the future is foresight.

It is not given to men, as well to nations, to prophesy what shall be their future. But there is an indelible lesson in history pronounced upon those who are satisfied to let the future take care of itself. Consciously or unconsciously, men take the effort to make things happen as they want them to happen. As individuals, we plant, we sow, we invest, we work in this spirit.

So must it be with a nation.

We must then govern our affairs rather than allow them to govern us. We must ever keep our eyes glued on our experiences and on our goals. Looking backward into the past, looking squarely at the realities of the present, and looking forward to the limits of our sights, we can so manage our affairs, that even in the event of unanticipated crisis, the course of national life will yet move forward.

A handwritten signature in black ink, appearing to read "Ferdinand Marcos". The signature is fluid and cursive, with a prominent 'F' at the beginning and 'Marcos' written below it.

17 February 1978

Malacañang



## *Appendices*



## APPENDIX "A"

### RESOLUTION OF THE EXECUTIVE COMMITTEE OF THE NATIONAL SECURITY COUNCIL ON THE APPLICATION FOR TEMPORARY RELEASE BY BENIGNO S. AQUINO, JR.

#### A. BACKGROUND

The Executive Committee of the National Security Council has been directed by the President of the Philippines to consider and take appropriate action on the application of Benigno S. Aquino, Jr. for temporary release from detention to enable him to campaign in the forthcoming Interim Batasang Pambansa elections. Aquino, a candidate, made the appeal to the President, who endorsed it to the Committee.

Following the President's referral of Aquino's request, the Executive Committee made a careful and thorough study of the request, reviewing the legal aspects of the case, as well as the implications on national security. In this study, the Committee was assisted by the Department of Justice, the Office of the Solicitor General and the various intelligence agencies.

The Executive Committee reviewed Aquino's case and trial before Military Commission No. 2, which found him guilty of murder, subversion and illegal possession of firearms. The Committee also examined other documents relating to Aquino's actuations before the declaration of martial law and while under detention.

In its deliberations, the Committee found it necessary to review all documents pertaining to Aquino's trial and conviction and to declassify in this Report certain intelligence assessments. The Military Commission found Aquino guilty of murder, subversion, illegal possession of firearms, ammunition and explosives after weighing over 4,000 pages of testimony by 22 witnesses and examining 400 exhibits.

As gleaned from testimonies of witnesses during the trial and other documents in the possession of the Committee, here is a summary of the bases for the conviction of Benigno S. Aquino, Jr.:

#### 1—MURDER

Benigno Aquino and Bernabe Buscayno alias Comdr Dante were accused of having conspired with Huk Comdr Cruz in murdering CECILIO SUMAT, barrio captain of Motrico, La Paz, Tarlac in early

December 1967. According to the indictment, this crime was attended by the aggravating circumstances of treachery, evident premeditation, use of superior strength, disguise, craft, motor vehicle and the aid of armed men. Witnesses in this charge were: Benjamin M. Bie, Jr., alias Comdr Melody; Poincar Dizon alias Comdr Bucoy; Protacio Navarro, barrio captain of Bantug, Tarlac, Tarlac and President of the Hacienda Luisita Workers' Union; and Ruperto Sumat, Cecilio Sumat's son.

Hacienda Luisita in San Miguel, Tarlac, is a 7,000-hectare sugar plantation acquired by Aquino's in-laws (Jose Cojuangco and Sons) sometime in 1962 from the Tabacalera. The Cojuangcos needed foreign exchange and Central Bank approval to pay the Tabacalera. Aquino was then a Nacionalista. The incumbent President, Diosdado Macapagal, was a Liberal and refused to lend a hand. To get Macapagal's support, Aquino switched parties and became a Liberal. The Central Bank then approved the release of ₱13 million worth of foreign exchange for Aquino's relatives.

But the Central Bank imposed a condition for the Government's guarantee: Hacienda Luisita should undertake to sell Hacienda homelots to the residents. Though the plantation was taken over, the Hacienda residents did not get their share.

In June 1966, the residents organized the Association of Barrio Councils and Barrio Assemblies of Hacienda Luisita (comprising all the Hacienda workers and residents of the barrios of Asturias, Bantug, Cut-cut, Balete Luisita, Texas, Sebastian, Pasajes, Pando and Motrico). *Cecilio Sumat* was its leader and adviser. He was a foreman employed in the Hacienda Luisita. The Association's primary aim was to compel the new Hacienda Luisita owners (the Jose Cojuangco and Sons—Aquino's in-laws) to honor their commitment to sell homelots to the residents. The Association held several meetings and passed numerous resolutions. Cecilio Sumat led delegations to see high officials, including the President and Senator Jose J. Roy.

In November 1967, while Aquino, then Governor of Tarlac, was campaigning for the Senate, he met at Hacienda Luisita with Huk Comdr Sumulong, Comdr Dante, Comdr Cruz, Comdr Melody, Peter Ilocano and Puriok to discuss Aquino's candidacy. Comdr Melody was then the personal bodyguard of Comdr Dante and the finance officer of the Huks. Comdr Melody later on would testify that "during that meeting, Benigno Aquino told Comdr Dante that Cecilio Sumat was a PC informer and was burning sugarcane and, therefore, he should be liquidated." Aquino told Dante to "get rid of Sumat" (p. 19, tsn. 7 April 1975). Responding

to this request, Comdr Dante said "Sigue," and instructed Comdr Cruz to carry out Aquino's orders to kill Sumat (p. 21, id.).

Acting upon these orders, Comdr Cruz and his group of armed men one evening went to the house of Cecilio Sumat and invited him for a talk outside his house. Unaware of the plot, Sumat first fed them and then joined the group for a walk. A few days later or on December 2, 1967, Cecilio Sumat's decaying body was found in a sugarcane plantation in Barrio Motrico, La Paz, Tarlac.

Subsequent investigation disclosed that Sumat was neither a sugarcane burner nor a Philippine Constabulary informer.

## II—SUBVERSION CHARGES

### 1. *The Hacienda Rodriguez raid*

On November 1 and 2, 1965, just before the presidential elections, Aquino, then the Liberal Governor of Tarlac, led a nine-man Huk band that raided the Hacienda Rodriguez in San Manuel, Tarlac. The band seized high-powered weapons and ammunition which were later turned over to the Huks. In the Huk band were Avelino Bagsik, Comdr Zaragoza and Comdr Danilo. These men were under the overall command of Huk Comdr Alibasbas.

Aquino's brother-in-law, Jose Cojuangco, Jr., was running for the first Congressional district of Tarlac against his first cousin, Eduardo Cojuangco, Jr. To neutralize Eduardo Cojuangco's forces, Aquino gathered his Huk friends operating in his native town of Concepcion and told them they would raid a plantation belonging to a supporter of his brother-in-law's rival. On October 31, 1965, Aquino summoned Mayor Federico Peralta of San Manuel, Tarlac to his house at Barrio Alto, Hacienda Luisita. In the presence of Huk Comdr Zaragoza, he directed Mayor Peralta to draw a sketch of Hacienda Rodriguez to indicate security posts. On the night of November 1, 1965, Aquino, in his Mercedes Benz, driven by Alexander Yasnigin and followed by armed Huks in his Land Rover, motored to San Manuel.

As they entered Hacienda Rodriguez, Aquino required everybody, including himself, to put on white headbands and masks. They hogtied the guard, broke into the Hacienda owner's house, and seized all the firearms and ammunition they could find. Returning to Aquino's house in Barrio Alto, San Miguel, Aquino distributed the guns to the members of the raiding party. He also gave Comdr Danilo one .30 caliber carbine

with a hand-crafted stock, equipped with a weaverseope telescopic sight, as his gift for Huk Comdr Alibasbas, who later received it at his bivouac area at Barrio Almendras, Concepcion, Tarlac.

Three months after, on February 3, 1966, Comdr Alibasbas and his men were slain. The special carbine was found beside the body of Alibasbas, along with most of the firearms taken from Hacienda Rodriguez.

Witnesses to this incident were: Mayor Federico Peralta, Alexander Yasnigin, Col Lorenzo Mateo, HMB Comdr Ford, Jaime Ignacio, Sgt Carlos Garcia, Comdr Soliman and Tomas Dizon.

*2. Aquino financed violent demonstrations in Manila*

Aquino was found guilty of having given at his house at 25 Times Street, Quezon City, ₱15,000.00 in cash to finance violent demonstrations before Congress, Malacañang and the U.S. Embassy on April 18, 1969 (Spec I, Crim Case No. MC-2-23). Witnesses to this incident were Bernardo (Dick) Perez, former confidant of Aquino, and Pedro Gatmaitan, former overseer of Hacienda Luisita. Their testimonies were supported by Benjamin Bie alias Comdr Melody, Poincar Dizon alias Comdr Bucoy, Pedro Arceo and Ramon Dizon, all Huks and later NPAs, who took part in the demonstrations.

Pedro Gatmaitan testified that in April 1969, while having lunch at his house in San Miguel, Tarlac, he was fetched by NPA Comdr Ben Mallari to see Comdr Dante at Barrio Sta. Rita, Capas. Dante instructed Gatmaitan to contact Bernardo (Dick) Perez and for the two of them to see Aquino in Quezon City. Gatmaitan and Perez did so and met Aquino the next morning.

Court testimony showed that Aquino gave them ₱15,000.00 in cash with instructions to give the money to Simforiano Gatmaitan, the NPA treasurer in Tarlac. Aquino would later admit contributing only ₱1,500.00 for the demonstrations and tried to justify his action by describing the demonstrations as legitimate expressions of dissent. But he could not explain why his contributions were coursed through the NPA.

*3. Aquino connived with the NPA to raid the PMA armory of arms in Baguio City (Crim Case No. MC-2-24).*

On December 29, 1970, the armory of the Philippine Military Aca-

demy in Baguio City was raided by an NPA band led by Benjamin Sanguyo alias Comdr Pusa and Ernesto Mayuyu alias Comdr Esto.

A few days before the raid, Comdr Pusa and Ernesto Mayuyu went to Aquino's Quezon City house to tell him of the NPA plan to raid the armory. Aquino, according to court testimony, at first expressed skepticism. He told Comdr Pusa that the plan could not succeed. Comdr Pusa, however, assured him that they could pull it off since they would be assisted by a PMA insider, Lt Victor Corpus, whereupon Aquino agreed. Comdr Pusa asked Aquino for a vehicle but Aquino instead gave Pusa P500.00 and told him to hire a car. This they did and proceeded with their plans.

The success of the NPA raid was dutifully reported to Aquino, who expressed satisfaction. He then promised to give Comdr Pusa more firearms. A few days later in early January 1971, Comdr Pusa returned to Aquino's residence and received from Aquino one AK-47 rifle with two magazines and several rounds of ammunition and two automatic carbines, folding type, with two banana-type magazines and ammunition. (Crim Case No. MC-2-21.)

These are the facts: Comdr Pusa was the head of the NPA liquidation squad. The PMA is the country's premier military educational institution. Aquino was informed in advance of the defection of PC Lt Victor Corpus and of the plan to raid the PMA. As senator of the Republic, it was Aquino's sworn duty to report this to military authorities. He did not. Instead, he approved it, financed it, and applauded its success.

*4. Aquino gave aid and comfort to the sworn enemies of the State by providing shelter and medical assistance to wounded NPAs*  
(Spec. VI, Crim Case No. MC-2-23).

Between 1970 and 1971, Aquino provided shelter and medical treatment to wounded NPA dissidents, converting his house on Times Street, Q.C. into a small hospital for the treatment and recuperation of dissidents. Beneficiaries of this kind of help were: ROBERTO SANTOS alias COMDR FELMAN, BENJAMIN SANGUYO alias COMDR PUSA, JUANING RIVERA alias COMDR JUANING, FERNANDO BORJA alias COMDR FER, SIMEON SANGKAP alias COMDR FRED, COMDR TUO, PEPITO LOPEZ alias BOY BATOC, RODOLFO RAMOS alias COMDR RAMIR alias COMDR RUDY, BOY MULDONG alias BOY

PITCHO and OSCAR PACHECO alias ROY. Those who offered testimony on this crime were Benjamin Sanguyo alias Comdr Pusa, who was wounded in various parts of his body; Elpidio Muldong alias Boy Pitcho, who received medical assistance at Aquino's house at 25 Times Street and who, as a fugitive from justice, was given sanctuary at Aquino's ranch in Masbate; Tomas Dizon, Aquino's personal bodyguard; and Rosendo Cawigan, Aquino's Senate bodyguard and confidential secretary.

Aquino admitted having extended such assistance but claimed that as a public servant his house was open to everyone and he never bothered to inquire about their ideologies. However, these people were known as subversives and terrorists and they had sought refuge at his house following encounters with the AFP. Aquino's sworn duty especially as a Senator was to report and turn over these wounded NPA commanders to the authorities. Instead they were allowed to recuperate and regain their strength to resume their careers of rebellion and lawlessness.

*5. Aquino used the Hacienda Luisita  
as a haven for the dissidents.*

At the height of the communist movement in Tarlac, after the fusion in March 1969 of the faction of Jose Ma. Sison and the NPA group of Comdr Dante, Aquino allowed the use of the Hacienda Luisita as a sanctuary of the insurgents.

a. In May 1969, at his house at Barrio Alto, Hacienda Luisita, he gave to Benjamin Bie, Jr. alias Comdr Melody six armalite rifles intended for Comdr Dante (Crim Case No. MC-2-20). Witnesses to this incident were Comdr Melody, Poincar Dizon alias Comdr Bucoy, Ramon Dizon and Pedro Arceo. They all saw Aquino give six armalites to Comdr Melody in Aquino's house at Hacienda Luisita and saw Comdr Melody turn over these armalites to Comdr Dante at Sta. Rita, Capas, Tarlac.

b. In October 1969, shortly before the presidential elections, Aquino gave two (2) armored vests and a pair of walkie-talkie to NPA Comdr Arthur Garcia and to NPA Comdr Jose Buscayno alias Comdr Joe, brother of Comdr Dante, right at the Hacienda airstrip. At this point, he instructed the dissident commanders and their companions to leave the Hacienda premises in the meantime and operate elsewhere because the Philippine Constabulary troopers were in hot pursuit. Witnesses to this incident were Poincar Dizon alias Comdr Bucoy and Ramon Dizon, both NPAs who were with Comdr Garcia and Cmdr Joe.

c. From March 1969 to November 1969, Aquino allowed the use of the Hacienda Luisita as a haven for the NPAs. The Hacienda's cane fields were a natural refuge for dissidents eluding arrest. Aquino gave the NPAs a run of the place. The NPAs could use the *Casa Grande* guest house and other buildings. They used company vehicles and mimeographing machines to print communist propaganda. Dissident leaders, followers and their families were in the company payroll. Pedro Gatmaitan, Hacienda overseer, testified to this open use of Hacienda facilities by the NPAs. Even Ernesto Teopaco, Aquino's brother-in-law, and Tomas Henson, General Administration Manager, complained about the NPA take-over of Hacienda Luisita.

d. In March 1969, Aquino allowed the use of his aircraft and a Tarlac Development Corporation jeep by *Jose Ma. Sison*, *Arthur Garcia* and *Nilo Tayag*, the three top-ranking CPP leaders who visited Tarlac to lead the violent strikes against the Pantranco.

### III—ILLEGAL POSSESSION OF FIREARMS, AMMUNITION, EXPLOSIVES AND ACCESSORIES

From 1971 to October 20, 1972, Aquino was found guilty of having in his possession, custody and control several high-powered firearms, ammunition, explosives and accessories without any license.

Shortly after his arrest at the Manila Hilton in the early hours of September 23, 1972 by BGen Romeo Gatan, Aquino managed to talk briefly with his bodyguard Rosendo Cawigan, his compadre Dominador Lacson, Jr. alias Jun Lacson and his friend Gil Matias. He instructed them to remove his firearms from his house at 25 Times St., Quezon City. Aquino's men were able to haul his large arsenal of firearms to Lacson's house at Baltao, Parañaque, and some to the house of Lacson's mother at Ledesma Court, Project 6, Quezon City. Witnesses to this charge were: BGen Romeo Gatan, IPCZ Commander; Lt Col Saturnino Domingo, Jr., CANU Executive Officer; Rosendo Cawigan, Aquino's chief security aide; Dominador Lacson, Jr., Aquino's compadre and friend; Tomas Dizon, Aquino's personal bodyguard; Jorge Lactaotao, Aquino's driver; and Capt. Hermogenes de Castro, Jr., legal officer of the National Defense Intelligence Office (NDIO).

From the date of his arrest on September 23, 1972 to October 30, 1972, Aquino gave no instructions to anyone, including visiting relatives, to surrender his firearms. These were discovered and impounded by authorities in late 1972. His bodyguards, Rosendo Cawigan and Tomas

Dizon, testified that they used to take care of these firearms. Cawigan said that Aquino kept this arsenal to "be ready to fight the Government and the armed forces." He added that Aquino had intended to put up a stand at 25 Times Street, Quezon City in case authorities came to arrest him. Aquino also considered the option of joining the NPA in Mindanao where he had "many allies and sympathizers." (P. 13, tsn, August 23, 1976)

Aquino's anti-personnel mines recovered by authorities in July 1976 are of the rare variety. They are similar to the explosives used to bomb the Constitutional Convention site at the Manila Hotel and those detonated at the Quezon City Hall where the Constitutional Convention was transferred. The grenades belonging to Aquino's cache of explosives recovered on October 20, 1972 resembled the type of grenades exploded on August 21, 1971 at the Plaza Miranda Liberal Party rally where many of Aquino's co-Party leaders were severely injured.

*Aquino was the only LP Leader Absent from the Bombed Plaza Miranda Rally.*

Aquino was absent during the grenade bombing of the Liberal Party rally on August 21, 1971. He was the only Liberal Party leader who escaped injury because he was not there.

Rosendo D. Cawigan, Aquino's chief security officer, recalled that at about 7:30 p.m. of that day, he and Aquino attended a pre-nuptial party of former Senator Salvador Laurel's daughter. Aquino, according to Cawigan, was not his usual self. He was uneasy. He asked his bodyguard Cawigan to report the progress of the rally every 5 to 10 minutes. It was a dinner party but Aquino hardly ate. Afterwards instead of proceeding directly to the Plaza Miranda rally, Aquino directed his driver to proceed towards Quezon City. Aquino listened to the Plaza Miranda rally on his car radio. As they approached his house at 25 Times Street, Aquino shouted, "Pumutok na ang Plaza Miranda! Pumutok na ang Plaza Miranda!"

Once inside the house Aquino ate while he watched television replay the Plaza Miranda bombing.

## B. IMPLICATIONS

### I—Legal

Although his trial has been reopened to give Aquino a second opportunity to present evidence, he declines to take advantage of this oppor-

tunity and has in fact asked the Supreme Court to stop the reopened proceedings. As matters now stand, the findings of the Military Commission are unchallenged. The presumption of innocence to which Aquino, like other accused, was entitled at the beginning of trial, has been overcome by the evidence and by his conviction.

The principle obtaining in civil courts is that an accused is entitled to temporary liberty before conviction except when the evidence of guilt is strong. In Aquino's case, he has been found guilty, which means that the evidence against him is strong beyond the shadow of a doubt. Legal authorities are one that temporary release pending appeal is not a matter of right for an accused to invoke. Aquino has been found guilty of the capital crimes of murder and subversion. Accordingly, he cannot be released without sweeping aside settled principles of law and without impairing the right of the state to an effective prosecution and punishment of criminals.

Furthermore, Aquino's release would discriminate against other detainees. It will be recalled that in early February 1978, a number of detainees applied with the President for temporary release so they could run for election in the Interim Batasang Pambansa. The applications were denied and these detainees decided not to run for election although their confinement did not prevent them from doing so. These detainees would be discriminated against if Aquino is granted temporary release simply because, unlike the other detainees, he went ahead and filed a certificate of candidacy.

Moreover, while Aquino's detention is pursuant to General Order No. 2-A of the President as Commander-in-Chief of the Armed Forces, Aquino will have to obtain, too, the approval of Military Commission No. 2 before he can be released even provisionally. His cases are still subject of the reopened trial and, for this reason, Military Commission No. 2 continues to have jurisdiction over his person. Because of the petition for habeas corpus filed by him with the Supreme Court, however, Military Commission No. 2 is under advice to refrain from acting on his cases. Said the Supreme Court in its resolution of December 15, 1977:

"It is the unanimous sense of the Court that the respondent Commission should refrain from convening and conducting any proceeding in the cases pending before it against Benigno S. Aquino, Jr. and Bernabe Buscayno, until after the court shall have resolved the motions for the issuance of a restraining order. The court expects the Commission to respect this."

*Aquino had every opportunity to confront the criminal charges against him but he avoided doing so. His trial dragged on for almost 5 years because he himself did not want it concluded. He used every legal tactic to delay it. He had eleven chances to present his evidence. He rejected them all. First, he instituted action before the Supreme Court challenging his arrest and detention. Thereafter, he filed a petition for prohibition questioning the jurisdiction of Military Commission No. 2 to try him. Pending resolution of the issues he raised, trial had to be suspended. When the prosecution tried to perpetuate the testimony of its witnesses, Aquino obtained a restraining order from the Supreme Court and stopped that proceeding. After jurisdiction of the Commission had been upheld and the prosecution had rested, the case was scheduled eleven times for the reception of his evidence. All of the hearings were postponed on pretenses submitted by him or by his counsel. And then his mother instituted a second action for habeas corpus with the Supreme Court to further delay the termination of his case has been upheld by the Supreme Court.*

If Aquino wants to overcome his presumption of guilt, all he has to do is appear before the military commission whose jurisdiction over his case has been upheld by the Supreme Court.

After the Committee took into account all the legal aspects of the case, it deliberated on the possible implications to the national security of Aquino's release.

## II—SECURITY

Aquino's close relationship with the CPP-NPA is extensively documented in the list of charges and specifications against him. But his involvement with the local communist movement may be traced to the time of the Huks in the middle 60's. At that time, he publicly expressed his position. The Manila Bulletin, on 21 August 1967, quoted Aquino as follows:

"Huks are necessary because without them the country might not have wakened to the injustices that the poor had to suffer at the hands of the wealthy."

His early interest in the Huk Movement was first thought to be for an academic pursuit; a paper for Harvard University he claimed he was preparing. Using this excuse, he managed to get invited to brief AFP officers on the HMBs. His data and reports were imme-

diately checked and were found to be either false or misleading. It had been concluded that the objective of Aquino in offering to brief the intelligence community was merely to gauge military intelligence capability and gain more insight into military operations.

As events would prove later, he would use the knowledge to establish closer links with the local dissident movement which he had decided could help consolidate his political power. He used Hacienda Luisita as a fortress where he kept weapons and ammunition, provided sanctuary to rebel leaders and nourishment to wounded communist dissidents.

While he was forging close ties with the CPP-NPA, Aquino was ingratiating himself with a foreign intelligence agency whose goals are diametrically opposed to the communists. Aquino, himself, in conversations with military officials, had repeatedly claimed that he received training on guerrilla tactics, intelligence gathering, propaganda and agitation from the Central Intelligence Agency or CIA of the U.S. government.

While in detention, Aquino has offered to help military intelligence infiltrate the CPP. He presented a plan that called for the use of codes, courier systems, control officers, cover stories, and methodology familiar only to a trained intelligence agent. He asked to meet "top" intelligence officers for a discussion. Eventually, his plan was rejected after it was determined that he merely wanted to get to know who the top AFP agents were. His couriers and contacts were already known by the military. His scheme was judged to be ineffective and highly suspicious.

On the other hand, he has already proved that he has his own intelligence network that supplies him with data and analysis even while under detention. Some of the reports he has leaked to authorities concerning regional as well as local developments involving national security have proved remarkably accurate, often coinciding with the military's own estimates. This cannot be achieved without a highly sophisticated backup intelligence network which passes information to him through anyone of the many visits he has had since his detention in September 1972. On at least two occasions (1973 and 1976), he was caught smuggling out subversive literature in a thermos bottle. Even while in detention, he was able to receive accurate indications of the 1974 Jolo attack a few days before it happened.

There has been a mysterious pattern of killings and liquidations that has taken the lives of people who have testified and offered evidence against Aquino. The list of victims is a long one and include:

Eliseo Dizon, Benjamin Bie @ Comdr Melody, Maximo Llorente, Noli Collantes, Ciriaco Santos, Ruben Ignacio, Benjamin Tolentino, Ruben Pacheco and others. Details on some of these killings are as follows:

- a. Eliseo Dizon, a sugar planter from San Miguel, Tarlac, was offered P50,000 by Mr. Nereo Mendoza, Division Manager of Jose Cojuango and Sons, Inc. at the Central Azucarera de Tarlac (owned by Aquino's in-laws) to hire a killer to liquidate Poincar Dizon, Ramon Dizon and Peter Arceo because these three were "being utilized as witnesses in the cases against ex-Senator Aquino". Dizon made this revelation to the Prosecution Panel. The plan, however, never materialized because of Dizon's reluctance to carry it out. Dizon disappeared 10 July 1976 and subsequent reports indicate that he has been killed.
- b. On 24 February 1975, Benjamin Bie, alias Comdr Melody, subscribed and swore to a personal letter reporting on threats to his life. He was informed by a friend, Rodolfo Medina, about a plot to liquidate him. Medina himself, in a sworn statement, revealed details of such a plot involving the hiring of a car in Tarlac to insure Melody's murder. Melody was subsequently killed on 10 July 1976.
- c. Atty Max Llorente, former Provincial Board member of Tarlac and Aquino's political mentor, had offered to testify on Aquino's links with the NPA, expressing the wish that Aquino would be exposed during the trial as "a vicious politician who would stop at nothing to achieve his ends" and the Philippines would suffer if Aquino would become President because Aquino was "selfish, insincere and corrupt." He was furnished two PC security men and a permit to carry a firearm after expressing fear for his life on account of his offer to testify. On 30 June 1976, he was gunned down after purchasing grocery items at Johnny's Supermarket at Angeles City. A note was found near his body which read: "Salbaji ka Max — Migtacsil ka Kang Ninoy Aquino sinaguep ang bie mo" ("You're a rascal, Max, you are a traitor to Ninoy Aquino who saved your life").
- d. Manuel Collantes, a top Central Committee member of the Communist Party of the Philippines (CPP), executed a 35-page sworn statement on 15 January 1975 before the trial counsel. He swore to it 5 days later. He was very hesitant in swearing

to his statement which was very revelatory. He swore to it only on 20 January 1975 at about 6:15 in the evening. Two hours later, Manuel Collantes was shot to death at Asturias St., Sampaloc, Manila after coming from his classes at UST where he was taking up journalism. He was a very material witness in the subversion case against Aquino.

- e. Benigno Tolentino executed a sworn statement on 30 September 71 implicating Aquino. He was a witness in Crim Case No. MC-2-23, the giving of two .45 caliber pistols by Aquino to Commander Dante in the house of Leonida Arceo at Bo. San Francisco, Tarlac, Benigno Tolentino was murdered in 1971.
- f. Ruben Pacheco executed a sworn statement on 5 October 71 implicating accused Aquino and ex-Congressman Jose Yap. He was shot and died on 22 November 74 of multiple gunshot wounds.
- g. Ruben Ignacio recovered personal from the body of Commander Alibasbas on 2 February 1966 a carbine with a telescopic sight given by the accused Aquino to Commander Alibasbas as a gift on 2 November 1965. Ignacio executed a sworn statement on 1 August 1966. Later in the year, he was murdered.
- h. Ciriaco Santos alias Daku figured in the plan to liquidate Commander Alibasbas in February 1966. Santos would have been a very good witness in Criminal Case No. MC 2-23 (subversion) as he was already a civilian agent of the Government. He was found murdered in 1966 after attending a cursillo class in Tarlac.

*Aquino now wants to be released temporarily so he can conduct a political campaign. He has many influential foreign friends in the media and in high office who are using their influence to make the government release him. Some of these efforts have not been too subtle.*

So far, such pressures has been resisted. But it is becoming increasingly clear that it is continuing at home and abroad.

With Aquino out of jail, it is hoped by his foreign sympathizers he could foment enough disturbance with the help of the leftist radicals and communist dissidents. This would add to the government's security problems, tie down its military resources, and make it dependent on foreign resources. Faced with this crisis, the government could be very dependent on foreign assistance and therefore beholden to foreign powers.

### C. CONCLUSION

The Executive Committee of the National Security Council believes it cannot overlook certain legal impediments in granting temporary release to the petitioner without violating established legal principles such as that:

1. A finding of guilt especially of capital offenses precludes temporary release.
2. Military Commission No. 2, which found Aquino guilty of murder, subversion and illegal possession of firearms, ammunition and explosives, may not act on any petition for temporary release in view of Supreme Court resolution enjoining it from further action in the case.
3. Aquino's release would discriminate against other detainees who did not seek election after the Government announced its decision not to release them on that ground.

The Committee believes the Government must place the interest of national security above all other considerations.

The Committee further believes that, based on the records available, Benigno Aquino, Jr. has failed to protect the interests of the state; that, while enjoying the privileges of high office, he has collaborated with subversive elements; that he cannot be trusted with temporary liberty which, if allowed him will be used to commit further excesses in the name of legitimate political opposition and to advance the interests of a foreign power.

In view of the legal imperatives and the grim implications on national security, the Executive Committee rejects Aquino's application for temporary release.

(Moreover, as Defense Secretary Juan Ponce Enrile stated, "persistent and recurrent reports from various intelligence agencies indicate that the violent followers of the late NPA commanders 'Melody' and 'Pusa,' who were convinced that Aquino had masterminded the two men's liquidation, were eagerly awaiting an opportunity to get even with Aquino."

If released, Enrile pointed out, Aquino would be an easy and irresistible target on the campaign platform and the administration would inevitably get the blame.)

## REPORT ON ALLEGED VIOLATIONS OF HUMAN RIGHTS OF DETAINEES

Cases of alleged torture/malreatment of detainees (to include those allegedly resulting to death); arbitrary and improperly conducted arrests of persons; and mysterious deaths and disappearances of individuals (whose cases of deaths/disappearances point to members of the AFP as the alleged perpetrators):

1. Number of cases \_\_\_\_\_ 79
  - a. Cases investigated \_\_\_\_\_ 27
  - b. Cases under investigation \_\_\_\_\_ 52
2. Number of AFP personnel (named) accused \_\_\_\_\_ 136
  - a. Under investigation \_\_\_\_\_ 62
  - b. Acquitted/cleared of charges \_\_\_\_\_ 14
  - c. Punished for case \_\_\_\_\_ 60
    - 1) General Court Martial conviction — (3)
    - 2) Demotion in rank \_\_\_\_\_ (2)
    - 3) Article of War No. 105 \_\_\_\_\_ (16)
    - 4) Administrative reprimand \_\_\_\_\_ (19)

(CASES SOURCE)	VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS	ACCUSED PERSONNEL	STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION
1. (AMRSP, BK II; ICJ)	Eugenia Magpantay Maria Elena Ang Lualhati Roque Baylosis (physical torture/ maltreatment)	Col Pedro Balbanero LtC Miguel Aure Maj Arsenio Esguerra Maj Jaime Reola Maj Benjamin Libarnes 1Lt Victor Batac Sgt Larry Untayao Agent Lino Malabanan Atty Lazaro Castillo, NISA	The investigating body (composed of USec Barbero, BG Dizon, BG Zafra and Maj Estonactoc, finding no <i>prima facie</i> evidence for the alleged torture/maltreatment of subject detainees, dropped the charges and closed the case.
2. (AMRSP, BKI)	Fortunato Bayotlang or Fortunato Bayot (physical torture leading to his death) Fernando Bayotlang or Fernando Bayot (physical torture)	CIC Benjamin Orilla TSgt Modelo Tenorio ICT Dino Aparicio Eleuterio Castillo Efren Pensador Pantaleon Obiso Boy Resmo (the latter 4 are civilians apparently used as agents by Tsgt Tenorio)	However, as the said investigating body found that subject personnel failed to observe DND rules and regulations on custody and handling of detainees, 2 (Lt Batac & Sgt Untayao) were given disciplinary punishment under AW No. 105, while the rest (7) were administratively reprimanded.

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
3. AMRSP	Julius Giron Victor Quinto Charlie Palma Zenon Zembrano Armando Teng Cristina Verzola Rodriguez Reynaldo Rodriguez Santiago Alonzo Reynaldo Guillermo Isabelita del Pilar Reynaldo Iiao Agaton Topacio Romeo Bayle Flora Corpuz Arellano Alejandro Arellano Virginia de Guzman Francisco Vergara Pedro de Guzman Arnulfo Resus Ramon Casiple Dominga Ramos Elita Ponce-Quinto Linda Roxas Beatriz Padrinas Rosario Salvador	LtC Laurel Valdez Lt Cliford Noveras Lt Alejandro Flores Lt Arturo Lomibao Lt Cesar Garcia Jr Lt Nonito Dallo Lt Amado Espino Lt Renato de Lima MSgt Cirilo Batingal TSGt Cayetano Fajardo SSgt Samson Rafer SSgt Jacinto Calica SSgt Placido Turingan SSgt Ernesto Cabanlit  SSgt Sabiniano Haspela PO2 Rodrigo Marinas Sgt Lucio Valencia CIC Baylon Valencia CIC Severino Pailas CIC Henry Rato C1C Eddie Abalos C2C Salvador Canillas C2C Bernabe Detecio Rolando Flores, NISA	TSGt Tenorio sometime later died of gunshot wounds in an unrelated incident.  A General Court Martial (under now BG Regis) found 3 military personnel guilty of the offense charged (2Lt CLIFFORD NOVERAS was sentenced to be dismissed from the service while CICs HENRY RATO and EDDIE ABALOS were each sentenced to confinement with hard labor for 6 months and forfeiture of pay for months).  12 personnel were given administrative punishment under AW No. 105 (LT GARCIA, LT FLORES, LT ESPINO, LT LOMIBAO, LT DE LIMA, TSGT VALENCIA, TSGT FAJARDO, SSGT RAFER, SGT CALICA, CIC PAILAS, C2C DETECIO and C2C CANILLAS) and the rest of the accused (9) were administratively reprimanded for failure to follow DND rules and regulations in the handling of detainees.

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
4. (AMRSP, BKI)	Pedro Padrinas Alberto Yanes Ofelia Castillo Judith Paulino Apolonia Santiban Juan Awal (physical torture/ maltreatment)	Sgt Edmundo Cape Sgt Liony	Case under investigation.
208 5. (AIR)	Oscar Taguba, Rev Fr (physical torture to urine)	Cpt Arsenio Esguerra Maj Herminio Limon	The investigating panel (OTIG) considered the case dropped and closed. It found that since the charge of torture was reported a year after the alleged incident took place and that the lone witness, MAJOR GAUDEENCIO GADDI, already died, the truth of the allegation could hardly be verified. It was established though that Taguba, because of thirst and by his own volition, drank his own urine.
6.	Vilma Riipay (physical torture/ maltreatment)	Lt Billy Bibit SSgt Antonio Vidomero SSgt Arturo Bungas SSgt Ranulfo Sebusa Sgt Guillermo Meñez Sgt George Presquito	To date, while her availability was ensured by the priests (who are reportedly caring for her), she has not appeared before the investigators (from OTIG) for interview. Her statement is needed for the completion of the investigation.

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
7.	Trinidad Gerilla @ Trining Herrera (physical torture/ maltreatment)	C1C Lester Ben Gaburro C1C George Yap CIC Francisco Floro	As ordered by the President, Sgt George Presquito, Team Leader of the arresting party, is under detention, while the investigation is going on.
8. 209	<p><i>Detainees</i></p> <p>1) Fidel Agcaoili 2) Ernesto Luneta 3 Francisco Luneta 4) Domingo Luneta 5) Flora Bonifacio 6) Dolores Feria 7) Bonifacio Ilagan 8) Jose Lacaba 9) Allan Jazmines 10) Hermenegildo Carcia IV 11) Myrna Alcid 12) Temario Rivera 13) Manuel Chiongson 14) Jean Tayag 15) Mila Garcia 16) Nilo Tayag</p>	Lt Eduardo Matillano Lt Prudencio Regis	As ordered by the President, a General Court Martial tried subject officers. The Court Martial found the accused not guilty, the charge of torture not having been proven beyond reasonable doubt.

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
9.	17) Robert Azarcon 18) Jose Torres 19) Corazon Lopez 20) Cecilia Francisco 21) Jovita Valiente 22) Edith Atienza 23) Leoncio Grande 24) Manuel Losta 25) Fluellen Ortigas 26) Rosario Agcaoili	Francisco Rivera Victor Palafox	The investigating body (CIG) dismissed the case for lack of merit.
10.	Gil Alinea (physical torture/ maltreatment)	Maj Ciriaco M Marasigan	The investigating body (CIG) found that the charge against subject Officer was a pure fabrication; the charge was considered closed for lack of merit.
11.	Joaquin Castaño, Jr (physical torture/ maltreatment)	Maj Carlos Mallari	The investigating body (CIG) dismissed the charge of maltreatment for insufficiency of evidence.
12.	Jesus Cornejo (physical torture/ maltreatment)	Capt Lorenzo Baccay	Punished under 105 —do—
Alfonso Desierto (torture/maltreat- ment)	2Lt Mercury M Marcelo PC MSgt Jose S. Almazan Jr. PC		

<b>(CASES SOURCE)</b>	<b>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</b>	<b>ACCUSED PERSONNEL</b>	<b>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</b>
13.	Celerino Luayon (Arbitrary Arrest/ Search)	2Lt Ignacio Umbay	The investigating body (CIG) dismissed the charge and the case was dropped and closed for lack of merit.
14.	Samson E Escaño Emelita Balisalisa (Unlawful Arrest)	1Lt Isidro S Lapeña	The investigating body (TIG) found that the arrest was in accordance with SND's policy guidelines and the case was closed for lack of merit.
15. AMRSP, BK II	Antonio Ubago, Sr Antonio Ubago, Jr & Ramon Ubago (maltreatment during arrest)	Capt Manolo Gorospe, PC 1Lt Panfilo M. Lacson, PC MSgt Ceferino de Guzman, PC TSgt Roberto Catacutan Sgt Roberto Suyo, PC Sgt Roberto Langcauan, PC	Except for Capt Manolo Gorospe, all others were reprimanded by SND for improper conduct.
211			
16. AMRSP BK I	Liliosa Hilao (maltreatment result- ing to death)	1Lt Arturo Castillo	CIS and CIG investigated the case and both found that she committed suicide by taking in hydrochloric acid.
17.	Domingo Pineda (maltreatment result- ing to death)		Subject person died of diabetes mellitus, hepatitis, acute hepatorenal syndrome and pneumonia on 7 Feb 75 at the V. Luna Medical Center. Allegations of torture/ maltreatment were denied by the deceas- ed's son, Sunday Pineda, who certified that during his visits, his father never com- plained of torture/maltreatment.

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
18.	Ben Pancobilla (torture resulting to death)	2Lt Remigio Bartoloni	Case dismissed for lack of merit. While the alleged torture happened sometime in April 1976, subject died in November 1976. Prior to Pancobilla's hospitalization in October 1976, OTIG found that Pancobilla had a fight with the Casagda brothers.
19. Father Maxcy	Virgilio Pagondo (beheading)	2Lt Remigio Bartoloni	Case dismissed for lack of evidence.
20. AMRSP BK II  212	Purification Pedro (mysterious death)	Col Miguel Aure	SND and CPC ordered the Bataan Constabulary Command and Office of the Constabulary Judge Advocate to thoroughly investigate the case. It was established that all evidences gathered pointed to a case of suicide. Subject person died of asphyxia due to strangulation by hanging and that respondent Officer had left the hospital long before Miss Pedro committed suicide.
21. AMRSP BK I	Santiago Arce (mysterious death)		Investigation conducted by PC Abra and the Prov'l Fiscal of Abra disclosed that after his investigation at Camp Villamor, Bangued, Abra, Arce grabbed a rifle from LTC Adriano Castro, PC and fired at the PC authorities, which prompted the guards to fire back resulting to his death. Case considered closed.

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
22. Archbishop Jaime Sin	Marsman Alvarez (mysterious death)		Investigation by the Commanding General, NOREASCOM (upon orders of SND) disclosed that Marsman Alvarez was a NISA agent and was liquidated by the New People's Army operating within the area of Aurora Sub-Province, and not by military personnel.
23.	Juan Adriano (mysterious death)		The matter was investigated by the Constabulary Provost Marshal & PCMC IG. The case was dropped and closed because the cause of death is cardiorespiratory arrest due to shock by pulmonary edema (in front of the PC Gymnasium, Camp Crame, Q.C.)
24. AMRSP	Eugenia Flores (missing person)		Records at CAD show that she has never been arrested/detained by military authorities. Her whereabouts are still unknown although efforts are being exerted to locate her.
25. AMRSP	Emmanuel Yap (missing person)		Records at CAD show that he has never been arrested/detained by military authorities. His whereabouts are still unknown although efforts are being exerted to locate him.
26.	Leticia Ladlad (missing person)		Records at CAD show that she has never been arrested/detained by military authorities. Her whereabouts are still unknown although efforts are being exerted to locate her.

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
27.	Margarita Luneta y Evangelista (missing person)		Records at CAD show that she has never been arrested/detained by military authorities. Her whereabouts are still unknown although efforts are being exerted to locate her.
28. Relatives	Hermon C. Lagman (Atty.) (missing person)		Records at CAD show that he has never been arrested/detained by military authorities. His whereabouts are still unknown although efforts are being exerted to locate him.
214 29. Relatives	Jessica M. Sales Christina Catalla Rizalina Ilagan (missing person)		Asst DCS Intel reported that, per letter of Jose Ma Sison which was among the documents seized from him during his capture in San Fernando, La Union, subject persons were among those killed in an encounter with government forces at Mauban, Quezon in July and August, 1977.
30.	Nelia Sancho (allegedly subjected to physical, mental and emotional coercion, thru repetitive and endless interrogation and mosquito bites)	N o n e	Complaint is under investigation.

(CASES SOURCE)		VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS	ACCUSED PERSONNEL	STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION
31.	AMRSP BK II	Alfonso Abrazado (torture/ maltreatment)	Lt Rodolfo Aguinaldo & Lt Robert Delfin	Pending investigation by CIS
32.	AIR	Fidel Aguilab (torture/ maltreatment)	Sgt Salazar Lt Aaron	Pending investigation by the ZC, IVPCZ
33.	AIR	Antonio Antonio (torture/maltreat- ment)		Pending investigation by CIS
215	34. AMRSP BK II	Benjamin Bahiyo (torture/maltreat- ment)		Pending investigation by ZC, IIIPCZ
	35. AIR	Rafael Baylosis (torture/maltreat- ment)	Lt Garcia Lt Arturo Castillo	Pending investigation by CIS
36.	AIR	Melvyn Calderon (torture/maltreat- ment)	Capt Esguerra	Pending investigation by TIG
37.	AIR	Benigno Carlos (torture/maltreat- ment)	Lt Col Aure	Pending investigation by TIG/CIG

(CASES SOURCE)	VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS	ACCUSED PERSONNEL	STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION
38. AIR	Joanna Cariño (torture/maltreatment)		Pending investigation by ZC, IPCZ
39. ICJ	Carlos Centenera (torture/maltreatment)	Lt Rodolfo Aguinaldo Lt Batac Lt Alvarez Lt Elnora Estrada Lt Antonio Baquiran Lino Malabanan	Pending investigation by CIG
40. ICJ	Erlinda Taruc Co (torture/maltreatment)		Pending investigation by CIS
216	41. AMRSP BK II	Melecio Diosura (torture/maltreatment)	Pending investigation by ZC, IIIPCZ
	42. AIR	Romeo Enriquez (torture/maltreatment)	Pending investigation by OTIG
	43. AIR	Bernardo Escarcha (torture/maltreatment)	Pending investigation by CIG
	44. ICJ	Maynardo G Espeleta (torture/maltreatment)	Pending investigation by OTIG

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
38. AIR	Joanna Cariño (torture/maltreatment)		Pending investigation by ZC, IPCZ
39. ICJ	Carlos Centenera (torture/maltreatment)	Lt Rodolfo Aguinaldo Lt Batac Lt Alvarez	Pending investigation by CIG
40. ICJ	Erlinda Taruc Co (torture/maltreatment)	Lt Elnora Estrada Lt Antonio Baquiran Lino Malabanan	Pending investigation by CIS
216 41. AMRSP BK II	Melecio Diosura (torture/maltreatment)		Pending investigation by ZC, IIIPCZ
42. AIR	Romeo Enriquez (torture/maltreatment)	5th MIG	Pending investigation by OTIG
43. AIR	Bernardo Escarcha (torture/maltreatment)	Capt dela Cruz	Pending investigation by CIG
44. ICJ	Maynardo G Espeleta (torture/maltreatment)	5th MIG	Pending investigation by OTIG

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
45. ICJ	Ricardo Fajardo (torture/maltreat- ment)	Lt Delfin Lt Aguinaldo	Pending investigation by OTIG/CIG
46. AMRSP BK II	Carlos Garzola (torture/maltreat- ment)	Elements of Negros CC	Pending investigation by ZC, IIIPCZ
47. ICJ	Joseph Gatus (torture/maltreat- ment)	5th MIG	Pending investigation by OTIG
217 48. AIR	Mariano Giner Jr. (torture/maltreat- ment)		Pending investigation by ZC, IPCZ
49. AMRSP BK I	Flora Valenciz Glor (torture/maltreat- ment)	Elements of Camari- nes Norte CC	Pending investigation by CG TF Isarog
50. AIR	Winifredo Hilao (torture/maltreat- ment)	Lt Victor Tiongco Lt Rodolfo Aguinaldo Maj Joseph Pata- linghug Col Balbanero	Pending investigation by CIG
51.	Arturo Julian (Torture/Maltreat- ment)	Sgt Apud	Under investigation by CIG

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
58. AMRSP BK II	Bonifacio Macaranas (Torture/Maltreatment)	Elements of NISA	Pending investigation by OTIG
59. AMRSP BK II	Oscar Manila (Torture/Maltreatment)		Pending investigation by ZC IIIPCZ
60. AMRSP BK I	Ernesto Luned (Torture/Maltreatment)	Elements of NISA/ CIS	Under investigation by OTIG/CIG
61. AIR	Leonardo Nicdao (Torture/Maltreatment)	Sgt Matulao Sgt Coronado	Under investigation
62. ICJ	Andrew Ocampo (Torture/Maltreatment)	M2, PCMC	Pending investigation by CIG
63. AMRSP BK II	Saturnino Ocampo (Torture/Maltreatment)	Lt Rodolfo Aguinaldo Lt Amado Espino Jr.	Pending investigation by CIG
64. ICJ	Postelio William (Torture/Maltreatment)		Pending investigation by CIS
65. AMRSP BK II	Roger Posadas (Torture/Maltreatment)	Lt Rodolfo Aguinaldo	Under investigation by CIG

(CASES SOURCE)	VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS	ACCUSED PERSONNEL	STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION
66. AMRSP BK II	Nathan Quimpo (Torture/Maltreatment)	Elements of 7th RD, MSU	Pending investigation by OTIG
67. AMRSP BK II	Nick Roldan (Torture/Maltreatment)		Pending investigation by ZCI, III PCZ
68. AMRSP BK I	Eduardo Senense (Torture/Maltreatment)	MIG elements in Baguio	Pending investigation by CG TF TALNA
69. AIR	Juan Sison (Torture/Maltreatment)	Lt Garcia	Pending investigation by CIG
70. ICJ	Roberto Sunga (Torture/Maltreatment)	Lt Delfin Lt Aguinaldo Capt Saldajena	Under investigation by CIG
71. ICJ	Marcelino Magno Talam Jr (Torture/Maltreatment)	Lt Batac Lt Bibit	Pending investigation by CIG
72. ICJ	Willie Tatama (Torture/Maltreatment)		Under investigation by CIS

<i>(CASES SOURCE)</i>	<i>VICTIMS OF ALLEGED TORTURE/ MALTREATMENT MISSING PERSONS</i>	<i>ACCUSED PERSONNEL</i>	<i>STATUS/RESULT OF INVESTIGATION: PUNISHMENTS GIVEN TO ERRING PERSONNEL ALLIED INFORMATION</i>
73. AMRSP BK I	Fernando Tayag (Torture/Maltreatment)	Sgt Magistrado MSgt Manlapaz	Pending investigation
74. AMRSP BK II	Macarin Tin (Torture/Maltreatment)	4/5 MIG Elements	Pending investigation by OTIG
75. AIR	Romeo Tolio (Torture/Maltreatment)	M2, PCM	Under investigation by CIG
76. AMRSP BK II	Antonio Ty (Torture/Maltreatment)	Capt Ordeña	Pending investigation
77. AMRSP BK II	Patricio D Valenzuela (torture/maltreatment)	Elements of I MIG	Under investigation
78. AMRSP BK II	Juan "Johnny" Villegas (Torture/Maltreatment)	Lt Aguinaldo	Pending investigation by CIG/CIS
79. AIR	Salvador Yap (Torture/Maltreatment)	Capt dela Cruz Lt Garcia	Pending investigation by TF ICAROG



## THE PRICE SITUATION, 1972-1977

Generally, the Philippines has had a good record in maintaining price stability in the past decades. In the 1970's, particularly during the period 1972-1977, the worldwide grain shortage of 1973 and the energy crisis that shortly followed it in 1974 resulted in double-digit inflation rates during those years.

### Sources of Inflation

To be sure, the onset of the 1970's ushered in a new regime characterized by a significant economic breakthrough, with the Gross National Product posting an average annual increase of more than 6 per cent, highlighted with an unprecedented growth of close to 10 per cent in 1973. This strong performance was accompanied by a commodity boom in the world, which ironically reversed the experiences of countries; developed as well as developing, from one of stability to one of alarming inflation. The Philippines was not spared from this worldwide phenomenon.

Thus, after experiencing a 16.5 per cent increase in consumer prices in 1973, a 34.2 per cent increase in prices was registered in 1974. *Understandably the reasons for the higher movement of prices during 1973 and 1974 are mostly due to external developments to which the country has very little influence and for which it can only react for the most part.* For one, the price of petroleum oil which accounts for about one-fifth of the country's total imports and which is a major raw material for industry increased by more than four times. At the same time, a worldwide raw material shortage took place in late 1973 and early 1974, and was immediately followed by a plunge in world economic activity starting in 1975.

Furthermore, the exchange rate instabilities among the world's major currencies, specially the appreciation of the Japanese yen and German deutschemark, and the reduction in the value of the US dollar with which the Philippine peso is associated, contributed to the deterioration of the terms of trade. Thus, in 1975 and 1976 the price index for Philippine exports fell by 21 per cent and 12 per cent respectively. These events conspired and induced a recessionary and inflationary situation with adverse impact on the Philippines.

However, instead of the theoretical restrictive response to the situation, the Philippine Government acted with dispatch to maintain and

pump-prime economic activities, to maintain employment, to cushion the impact of the inflationary situation on the population, especially the poor segments of society, and to reduce inflationary pressures through the expansion of the supply of food and other basic commodities.

In 1975, 1976 and 1977, the strategy we have taken started to pay off. *Price increases were successfully kept below 10 per cent, while the overall economic growth as measured by the GNP growth rate was sustained at a rate of at least 6 per cent annually.*

### Measures to Stabilize Prices

In order to minimize existing inflationary influences, the government has undertaken a comprehensive program of increasing production of basic cereals like rice, corn and other staples, imposed price regulations on a list of most essential goods and services and has assumed a monetary and financial policy conducive to a steady and regulated increase in over-all liquidity and public spending.

All efforts were introduced in trying to cushion price increases of consumer products through a combination of subsidies, credit, moral persuasion, and direct price controls on a limited set of commodities.

In undertaking most of these, the concept of a socialized scheme for pricing was stabilized. First, price control allowed adjustments for producers. Second, efforts at lowering the prices of the critical inputs to items subject to price control also reduced the final prices. The objectives is to balance off the interests of those who earn their incomes from work in the cities, the usual laborer in factories and in establishments, and those who produce the commodities. Among the producers are the myriad farmers in our country, who deserve as much fair price for their labor, just like those who produce major consumer goods that enter our people's daily lives. We realize that we cannot and should not control prices directly without dislocating supply and thereby prejudicing the interests of consumer as, after all, consumer interests are the main beneficiaries of a stable price policy.

*In an example, the principal focus on grains pricing has led us to raise the buying price support for palay. This assured a price high enough to enable farmers to make a profitable operation. At the same time, the prices of these products were maintained at levels which could be reached by consumers, particularly those in the low-income groups.*

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## APPENDIX "D"

### THE THRUST OF THE NEW SOCIETY IN THE COCONUT INDUSTRY: THE RAPID INTEGRATED DEVELOPMENT OF THE INDUSTRY AND MAKING THE FARMERS THE DIRECT PARTICIPANTS IN, AND BENEFICIARIES OF, SUCH DEVELOPMENT.

SUBMITTED BY THE PHILIPPINE COCONUT AUTHORITY (PCA)

In 1972, 450 years since the first 200 coconut trees were planted by royal edict, the area planted to coconuts in the Philippines totalled 2,125.5 hectares, and the total production of 2,266.2 metric tons of coconut in copra terms constituted more than half of the total world coconut production. Exports of coconut products then accounted for 30% of the value of the top 10 Philippine exports and contributed 4% to total national income and 20% to foreign exchange earnings.

But then many problems plagued the coconut industry.

While the average coconut productivity in the Philippines was 1 metric ton per hectare, other countries have increased their productivity to 5 metric tons per hectare through proper farm management and the development of early-breeding and high-yielding hybrid variety of coconut trees.

Approximately, 500,000 families own parcels of coconut lands spread all over Luzon, Visayas and Mindanao comprising almost 40 provinces. Yet, no concrete efforts were made to enable these families, 72% of which own less than 5 hectares each, to participate in the benefits of the industry. The coconut production and marketing structure in the Philippines are pyramidal with the farmers at the bottom of the pyramid. Fettered by age-old pernicious practices, the farmers continued their perpetual bondage to the traders and middlemen who, on the other hand, reap the substantial profits.

With the absence of a definite government orientation in respect of such problems, the efforts to integrate the development of the coconut industry were diffused and sporadic.

#### *The policy enunciated by the New Society*

With the advent of the New Society, the Government, thru P.D. 232 and subsequent decrees, enunciated the policy of promoting the rapid

integrated development and growth of the coconut and other palm oil industry in all its aspects; and of ensuring the direct participation of coconut farmers in such development and growth.

As the first step towards the achievement of these objectives, P.D. 232 and its amendments laid the groundwork for consolidating the efforts in the development of the coconut industry by abolishing the fragmented agencies dealing with the coconut industry, i.e., the Coconut Coordinating Council (CCC), the Philippine Coconut Administration (PHILCOA) and the Philippine Coconut Research Institute (PHILCORIN), and consolidating their powers and functions in a new single agency, the Philippine Coconut Authority (PCA).

Significantly, in line with the policy to make the farmers direct participants in the growth of the industry, the Government provided the coconut farmers with the primary role of directing the course of development. Thus, under P.D. 623, the coconut farmers are given a controlling representation of three members in the Governing Board of PCA, compared to two representatives from the Government, one representative from the end-users of coconut products, and one representative from the hybrid coconut seednut farm.

#### *The Coconut Consumers Stabilization Fund (CCSF)*

With the 1973 oil crisis, the price of copra and coconut oil soared in the international market. This, in turn, brought about in the Philippines an acute shortage of cooking oil, laundry soap, and other coconut-based essential commodities because manufacturers of these commodities could not sustain domestic demand at a socialized prices.

In an unprecedented gesture of cooperation with the Government, and, as a concrete manifestation of their concern for the common welfare, the coconut farmers volunteered to subsidize the cost of manufacture of coconut-based essential commodities. Through their nationwide organization, the COCOFED, they decided to contribute to a common fund to finance the subsidy.

Thus, on 20 August 1973, the President promulgated P.D. 276, establishing the Coconut Consumers Stabilization Fund (CCSF). Each time a coconut farmer sells his copra, he gets the proceeds net of his contribution to the CCSF.

Today, the Filipino consumer pays, on the average, ₱2.05 for a pint of cooking oil with a net weight of 380 grams. Were it not for the existence of the CCSF, he would be paying ₱3.10. Also, he could be

paying a higher price for laundry soap and copra meal and, consequently, for meat and poultry products.

Through the CCSF, coconut-based essential commodities are made available to the Filipino masses at *socialized prices*. In respect of these commodities, at least, the effects of the worldwide inflationary spiral have been cushioned in the Philippines. As of 31 December 1977, the coconut farmers have spent more than ₱1 billion on subsidy.

On 18 April 1974, the President promulgated PD 414 whereby, the Government prescribed, among others, that the CCSF, being the voluntary contribution of the farmers, shall likewise be utilized for projects for their direct and immediate benefit. Thus, through the CCSF, the coconut farmers have become the direct participants in, and beneficiaries of, the rapid integrated development of the coconut industry in all its aspects.

Through the CCSF experiment, a healthy and dynamic balance has been struck between unbridled free enterprise on the one hand, and absolute Government control and regulation on the other.

Through its majority representation in the Governing Board of the PCA, the private sector of the industry determines the level of contribution and their specific uses. The Government provides the medium for the collection of the contribution, and, consistent with its responsibility to the people in general and to each coconut farmer, insures its proper utilization.

The very existence of the CCSF highlights the cooperation between the Government and the coconut farmers at a degree never before attained.

#### *Hybridization Program—*

The present stage of the development of the coconut industry in the country is generally characterized by relatively low yields and quality. While the national average in coconut productivity has remained constant at one (1) ton of copra per hectare per year due to poor cultivation and management, and the fact that more than one-fourth of the coconut trees in the country are over 60 years old, other coconut producing countries have implemented a program to increase their yield to five (5) tons of copra per hectare per year through continued research and development and the planting of high-yielding hybrid variety of coconut trees.

In order to enable the Philippines to effectively compete in the international market of vegetable fats and oils, the Government found

it imperative to embark on a replanting program. As it is, everytime the price of coconut oil rises too high, the world market reacts by shifting to cheaper substitutes. This ultimately results in the abrupt decrease in price of our coconut products. With the replanting program, the country will be provided with a steady supply of coconut products that will give us enough leverage to control their price at comfortable levels vis-a-vis other substitutes and avoid the detrimental effects of commodity shifting. *This will also ensure stable and better incomes for our coconut farmers because their incomes will not violently fluctuate with price changes resulting from shortage of supply and/or sudden shifts to substitutes.*

Moreover, replanting with hybrids increases yield per hectare without utilizing additional land which is left available for other economic/agricultural uses.

Recognizing the need to strengthen the Philippine position along these lines, P.D. 582 was enacted by the President on November 14, 1974 instituting a nationwide coconut replanting program using precocious high-yielding hybrid seednuts. From out of the current CCSF levy, ₱20.00 per 100 kilos of copra is allocated to be exclusively utilized to finance the National Coconut Replanting Program.

Under the program, all replanting operations, including the seednuts and the proper care and maintenance of the planted seedlings for five years, shall be at no cost to the farmers. Moreover, the farmers shall receive an income subsidy for the period that the hybrids are not bearing.

The Replanting Program is spread out over a period of 40 years. Phase I of the Program is the pilot replanting project which concerns itself mainly with the testing and evaluation of various techniques of prioritizing areas to be replanted, as well as methods of land preparation and planting of seedlings. 71,672 hybrid seednuts of known and tested varieties were imported from the Ivory Coast to provide realistic test data and at the same time lend a demonstration effect to the activity.

The seednuts have already germinated and have been planted in 120 demonstration farms all over the country. A blocked 50,000-hectare area extending over the provinces of Quezon, Batangas and Laguna (QBL Area) was used to test their applicability and suitability.

Phase II of the Program was started this year with the experiences and lessons learned from Phase I validated and the results in the QBL

Area replicated in the seven (7) other coconut regions. Simultaneously, 10-hectare core nurseries will be established in each of the eight (8) coconut regions. These will initially receive and germinate the seednuts from the seed garden at Bugsuk Island. Subsequently, these nurseries will supply a buffer quantity of seedlings in the course of the program and take care of requirements for replacement of seedlings which fail after planting.

With the favorable results obtained from the experiment, the nationwide replanting is targeted to commence by 1980.

To absorb the sizeable increases in production resulting from the Replanting Program, a complementary market research and development program has been established for food and non-food uses of coconut.

One of the programs developed for food uses is the extraction of food protein through aqueous processing (wet process) of coconuts, the end products of which are coconut oil and concentrated skimmed milk. Various edible uses of coconut have been developed and improved such as mayonnaise, cottage cheese, candied ubod, etc. The non-food uses, which proved to be technically feasible, include the utilization of crude coconut oil as substitute for diesel fuel and kerosene, the use of producer gas from shell charcoal, and the utilization of coir dust for a steam boiler plant.

A modern, integrated industrial research center will be established in Alaminos, Laguna. In addition to on-going research on food and non-food uses, pilot plants shall be established to evaluate new uses that will be developed.

*The coconut farmers as participants  
in, and beneficiaries of, the integrated  
growth of the industry.*

Constituting the mass base in the pyramidal structure of the coconut industry, the coconut farmers have for long been agitating that they substantially share in the benefits of the industry. It was in response to such appeal that the Government of the New Society mandated the rapid integrated growth of the coconut industry. To make more meaningful the participation of the coconut farmers in the resulting benefits from the integrated growth of the industry, the Government authorized the investment of portions of the CCSF in shares of stock of business undertakings relating to the coconut industry, such shares to be distributed for free to the coconut farmers.

## 1. *Credit facilities to farmers—*

The coconut farmers have for a long time depended for their credit needs on the middlemen whose lending practices are openly known to be usurious. Playing the dual role of buyer and creditor to the coconut planters and, at the same time, supplier to the manufacturers and exporters, the middlemen had the virtual control of the market and the product. As a result, the middlemen earned the most profit as against the farmers.

To solve this long-standing pernicious practice, the coconut farmers urged PCA that a bank be acquired by them. In that way, they can be provided with readily available credit facilities at preferential rates and, as owners of the bank, they will enjoy the accruing profits. Thus, a controlling interest of First United Bank (FUB) was acquired and the shares thereof were distributed for free to the coconut farmers. The bank then became the United Coconut Planters Bank (UCPB).

In compliance with its mandated objective, UCPB has extended loans at the preferential rate of 8% to the coconut farmers, and as of 31 December 1977, the total outstanding loans to farmers and the coconut industry amounted to ₱236 million.

Likewise, UCPB has accelerated the establishment of branches in the coconut regions and it is projected that, by 1982, a branch would have been established in each coconut province.

Among the private commercial banks in the Philippines, UCPB now ranks number one in net income and liquidity and number six in total resources.

## 2. *Coconut Oil Mill—*

As an initial step towards a vertical integration of the coconut industry, the controlling interest in a coconut oil mill, the Orcar Corporation, was acquired for the coconut farmers. By becoming participants in the processing phase of their products, the farmers would thereby not only earn the income from their production as farmers, but also the gains derived from the processing of their products.

Since its take-over for the benefit of the coconut farmers in August 1977, the Orcar Corporation had a net operating income of ₱1.9 million for the period ending December 31, 1977.

### *3. Copra Trading Companies—*

As a means of further freeing them from their perpetual bondage to copra middlemen, the coconut farmers, through COCOFED, have urged that they venture into the buying of copra at the farm gate level. In that manner, the farmers would be assured of reasonable prices for their products and the eradication of inimical practices relating to measurements of copra weight and moisture content.

To determine the economic viability of the proposition, a project was undertaken in the latter part of 1976, whereby seven trading companies were established and operated in the various coconut regions of the industry. The farmers have so enthusiastically supported the project that these companies have now emerged as one of the major copra trading firms in the country.

With the proven profitability and viability of the business undertaking, plans are now being drawn up for the distribution of the shares of stock of said companies to the coconut farmers *for free*.

### *4. Coconut Chemical Complex—*

A substantial portion of the CCSF is utilized to subsidize companies engaged in the manufacture of cooking oil and laundry soaps, all of which are owned by conglomerates mostly owned by aliens.

The coconut farmers have appealed that they be allowed to establish their own coconut chemical complex which shall manufacture cooking oil, laundry soaps, and other refined coconut oil products so that the subsidy payments shall be channeled to their own company. In that manner, a portion of the subsidy, which is actually their contribution, would be returned to them.

Studies made indicate that such a project is viable and would result in substantial profits to be ultimately enjoyed by the coconut farmers.

### *5. Insurance Company—*

Being self-employed, the coconut farmers are not covered by the Social Security System, Workmen's Compensation and Medicare benefits. Moreover, when copra prices are depressed, aside from earning less, the coconut farmers are left without the financial means to cope with the additional burden of disability, old age, and death. For these reasons, they have appealed that they be insured against the hazards of disability, old age, and death.

In response to the desire of the coconut farmers, the controlling equity of Philippine Asian Life Insurance Corporation was acquired for the coconut farmers. By the acquisition of such company, which will underwrite the insurance needs of the coconut farmers, the benefits of insurance to the coconut farmers will be optimized in that:

- a) The ostensible cost of the premiums will constitute receipts of the insurance company which they themselves own;
- b) Insurance agent's commission does not have to be paid on their insurance coverage; this constitutes substantial savings of approximately 55% of the first year's premiums; and
- c) The savings in insurance agent's commission increases the resources of the insurance company, thus enhancing its capacity to generate profits that will ultimately accrue to the farmers in the form of cash dividends.

#### *Strengthening of the coconut farmers organization*

Founded on March 21, 1947 by planters from Quezon and Laguna, the Philippine Coconut Producers Federation (COCOFED) was established as the official national organization of coconut farmers to serve as a channel for the expression of the aspirations and needs of coconut farmers and act as liaison for the mass base of farmers with the other sectors of the industry and the government.

With the policy ushered in by the New Society to provide the coconut farmers with the primary role in directing the course of the development of the industry, there arose a compelling need to strengthen COCOFED. In order to provide COCOFED with the necessary logistics, P.D. 414 allocated a portion of the CCSF for its operations and projects.

With the funds it receives from the CCSF, COCOFED is undertaking the following projects:

1. *The PFM-COCOFED College Scholarship Grant*—The farmers or their children must be prepared to take active involvement in all phases of industry activities. Manpower development is a vital factor in this preparation. Thus, the launching of the President Ferdinand E. Marcos-COCOFED College Scholarship Grant. As of 1978, this grant has 5,000 scholars. These scholars are enrolled in indifferent courses in the fields of agriculture, technology, busi-

ness, engineering and nursing, in various quality universities throughout the country. Geographically, there are 1,831 scholars in Luzon, 1,143 in Visayas and 1,985 in Mindanao. They are funded at P6,000 per scholar per year. This covers tuition and other school fees, board and lodging, textbooks, uniforms and pocket money. Practically, everything is free. To provide a more conducive conditions for study, COCOFED is putting up dormitories in the colleges and universities where the scholars are enrolled. P8.7 million has been spent for this.

The grant is extended to bright children or relatives of coconut farmers whose per capita income does not exceed P2,500.

2. *COCOFED High School Scholarship*—As a complement to PFM-COCOFED College Scholarship Grant, COCOFED offers high school scholarships. About 10,000 high school students will be financed in 1978 at approximately P550.00 per scholar per year. These grants will be made at the municipal and provincial chapter levels.

3. *Integrated Agricultural Financing Program for Coconut*—When prices of copra are low, the need by the farmers for other sources of income becomes evident. For this reason, COCOFED, in cooperation with the Central Bank, Department of Agriculture, and PCA launched the IAFP—Coconut in 1976. A P20 million seed fund was deposited with the Central Bank for the program. The farmers who own 5 hectares or below borrow this money through the rural banks with whom STD's are made by the Central Bank. This program is for intercropping, diversified farming and mechanization which are other sources of incomes for the farmers.

4. *Chapter Development Funds*—This project is aimed at concretizing the vertical integration program, improving the socio-economic activity in the towns, and providing additional income for the farmers. P80 million has been appropriated for this purpose. COCOFED Chapters who wish to undertake income-generating projects may avail of this fund. A project feasibility study is required to ensure the success of the project. This is availed of interest-free with only a one-time service fee of 5%.

5. *Aid to Chapters*—To strengthen the organization at town level, COCOFED supports the operational and project expenses of its 955 municipal chapters and 55 provincial chapters. This costs P8.7 million per annum.

6. *Educational Campaign*—In the rural areas, the unscrupulous middlemen usually dictate the price of copra. The farmers in these areas, ignorant of the current prices, have no choice but to accept the dictated price. To assist the farmers in knowing the correct prices of their products, COCOFED maintains a ten-minute daily radio time on 284 radio stations all over the country. The time is used for price and other information of interest to the farmers. Also modern cultural practices in coconut are broadcast to encourage increased productivity.

COCOFED has bought space in all the three major daily newspapers where prices are reported for the information of farmers. It also publishes the bi-monthly COCOFED REPORT at 225,000 copies per issue.

## II

### Nature of the CCSF Levy

1. The CCSF levy is distinct from the ₱0.55 levy imposed under R.A. 6260. The latter was imposed for the purpose of financing the Coconut Investment Fund which shall be used exclusively to pay the subscription by the Philippine Government for and in behalf of the coconut farmers to the capital stock of the Coconut Investment Company. On the other hand, the CCSF levy was imposed by PD 276, not PD 414 as alleged by Sen. Tañada, which became effective on 10 August 1973, for the purpose of subsidizing the sale of coconut-based products at prices set by the Price Control Council.

2. Historically, the CCSF levy arose as a result of the acute shortage in mid 1973 in the domestic market of prime consumer commodities, such as laundry soap and coconut oil. This was brought about by the usually high prices in the international market of copra and copra oil, as compared to the prices fixed by the Price Control Council.

As the acute shortage of prime commodities severely affected the low income sector of the country, the President personally appealed to the manufacturers to devise a viable and effective solution to the problem; otherwise, the government would be compelled to control the export of copra and coconut oil.

Responding to the appeal, the coconut farmers, thru COCOFED, volunteered to subsidize the selling of laundry soap, coconut oil and other coconut-based consumer commodities by contributing part of the proceeds of the sale of their copra. The farmers requested that the balance of their contributions, if any, shall be utilized exclusively for their direct benefit.

The President accepted the proposal of the coconut farmers and, thus, PD 276 was enacted into law. To effect collection of the voluntary contributions of the coconut farmers, PD 276 prescribed the imposition of a levy, the CCSF.

3. Far from being an "oppressive tax," the CCSF levy has directly redounded to the benefit of the farmers and of the public, particularly the household users, as a result of the socialized pricing of essential commodities. Not only that, by mandate of PD 276, PD 961, and Executive Order 490, all of the CCSF, net of subsidy, shall be exclusively

used for the benefit of the coconut farmers. Moreover, the levy is being used as a mechanism to maintain the farm-gate prices of copra at reasonable levels. Based on experience, because of the multi-staged marketing channels through which copra flows, a reduction in levy benefited only the middlemen.

4. Contrary to allegations that the levy was increased to ₱60.00 per 100 kilos, the levy initially imposed by PD 276 was only ₱15.00. However, the law authorized PCA and the then Coconut Consumers Stabilization Committee to review and revise from time to time the amount of the levy imposed. This authority was necessary since the subsidy payments correspond to changes in the price of copra and, accordingly, it is necessary to increase the levy when subsidy payments are increased. Thus, the amount of the levy from August 10, 1973 up to the present has varied as follows:

August	10/73	— Dec.	14/73	— ₱15	CK
Dec.	15/73	— Jan.	4/74	— ₱25	CK
Jan.	5/73	— May	17/74	— ₱55	CK
May	18/74	— Nov.	1/74	— ₱100	CK
Nov.	2/74	— Jan.	10/75	— ₱70	CK
Jan.	11/75	— May	16/75	— ₱40	CK
May	17/75	— March	18/77	— ₱30	CK
March	19/77	— Present		— ₱60	CK

### III

#### Alleged Anomaly in the Collections

*Some critical observations from misinformed sources have been voiced against the operations of the CCSF levy. Here are the facts:*

1. The allegation that ₱1 billion is annually generated from the CCSF is based on the wrong assumption that the levy has been uniformly imposed at ₱60.00 per 100 kilos from the effectivity of PD 276 in August 1, 1973 up to the present. It is then concluded that at least ₱3.5 billion should have been collected for the period of 3-1/2 years from the fourth quarter of 1973 up to the first quarter of 1977.

As can be seen above, the basic of computation is grossly erroneous, to say the least. The amount of the levy has not been uniform at ₱60 CK. Starting from ₱15 on August 10, 1973, the levy has varied from time to time because of the changes in subsidy payments arising from the corresponding changes in the prices of copra. Indeed, for a period of almost 2 years from May 17, 1975 to March 18, 1977, the amount of the levy is only ₱30 per 100 kilos. The fact that the CCSF collection from the fourth quarter of 1973 up to the first quarter of 1977 amounted only to ₱2.7 billion does not prove therefore any deficiency, much less an anomaly, in collections.

From August 10, 1973 up to December 31, 1977, the total CCSF collections amounted to ₱3,680,411,473.59.

2. The computation made is also based on the ill-informed assumption that the annual production of copra is more or less uniform. It disregards the fact that annual production is not consistent and varies substantially from year to year as a result of numerous production factors.

3. Adequate safeguards have been established to prevent misdeclaration by copra buyers of their purchases. In remitting levies, end-users (copra exporters, oil millers) are required by the regulation to submit weekly reports for transactions (deliveries/purchases) done for every period (Saturday to Friday) to justify amount of levy being remitted. The report, under oath, shall state: volume, purchase, production, domestic and foreign sales and beginning and ending inventories.

Volume reported is counterchecked with amount of actual production using conversion factors from edible oil to crude, from crude to copra, stock inventories, sales and purchases by other end-users.

In addition, end-users are also required to submit consolidated four-period reports externally audited.

For exports, exporters get clearance from PCA to export after complying with certain requirements like quality control, full remittance of levies or no levy underpayments, submission of documents (showing volume, destination, price) like contracts, order of payments, letter of credit, etc.

In cooperation with the Central Bank, exported volumes are counter-checked with outturn-weight reports of surveyors at ports of destination hired by Central Bank.

From the foregoing monitoring system, PCA makes an assessment if it finds any discrepancy between what was exported and what was actually purchased or delivered to the end-user. In fact, PCA filed cases in court either for collection or criminal prosecution. For levy/subsidy anomalies, there are four criminal charges pending in court.

4. The allegation that PCA officials connived with copra buyers is purely gratuitous. The figures do not support any deficiency in collection of the CCSF levy, much less is there any tenable fact cited to show complicity by PCA officials.

## AMENDMENTS TO THE CONSTITUTION

1. There shall be, in lieu of the *interim* National Assembly, an *interim* Batasang Pambansa. Members of the *interim* Batasang Pambansa which shall not be more than 120, unless otherwise provided by law, shall include the incumbent President of the Philippines, representatives elected from the different regions of the nation, those who shall not be less than eighteen years of age elected by their respective sectors, and those chosen by the incumbent President from the Members of the Cabinet. Regional representatives shall be apportioned among the regions in accordance with the number of their respective inhabitants and on the basis of a uniform and progressive ratio, while the sector shall be determined by law. The number of representatives from each region or sector and the manner of their election shall be prescribed and regulated by law.
2. The *interim* Batasang Pambansa shall have the same powers and its Members shall have the same functions, responsibilities, rights, privileges, and disqualifications as the *interim* National Assembly and the regular National Assembly and the Members thereof. However, it shall not exercise the powers provided in Article VIII, Section 14(1) of the Constitution.
3. The incumbent President of the Philippines shall, within 30 days from the election and selection of the Members, convene the *interim* Batasang Pambansa and preside over its sessions until the Speaker shall have been elected. The incumbent President of the Philippines shall be the Prime Minister and he shall continue to exercise all his powers even after the *interim* Batasang Pambansa is organized and ready to discharge its functions, and likewise he shall continue to exercise his powers and prerogatives under the 1935 Constitution and the powers vested in the President and the Prime Minister under this Constitution.
4. The President (Prime Minister) and his Cabinet shall exercise all the powers and functions, and discharge the responsibilities of

the regular President (Prime Minister) and his Cabinet, and shall be subject only to such disqualifications as the President (Prime Minister) may prescribe. The President (Prime Minister), if he so desires, may appoint a Deputy Prime Minister or as many Deputy Prime Ministers as he may deem necessary.

5. The incumbent President shall continue to exercise legislative powers until martial law shall have been lifted.
6. Whenever in the judgment of the President (Prime Minister), there exists a grave emergency or a threat or imminence thereof, or whenever the *interim* Batasang Pambansa or the regular National Assembly fails or is unable to act adequately on any matter for any reason that in his judgment requires immediate action, he may, in order to meet the exigency, issue the necessary decrees, orders, or letters of instructions, which shall form part of the law of the land.
7. The *barangays* and *sanggunians* shall continue as presently constituted but their functions, powers, and composition may be altered by law.

Referenda conducted through the *barangays* and under the supervision of the Commission on Elections may be called at any time the Government deems it necessary to ascertain the will of the people regarding any important matter, whether of national or local interest.

8. All provisions of this Constitution not inconsistent with any of these amendments shall continue in full force and effect.
9. These amendments shall take effect after the incumbent President shall have proclaimed that they have been ratified by a majority of the votes cast in the referendum-plebiscite.

*(The foregoing amendments were ratified by the Filipino people in the Referendum-Plebiscite held on October 16-17, 1976, and proclaimed in full force and effect as of October 27, 1976, by the President of the Republic of the Philippines under Proclamation No. 1595.)*

## APPENDIX "F"

### THE SCHOLARSHIP PROGRAM

Submitted by the Department Of Education And Culture

In 1977, the sum of P28,319,839 was spent by the government for stipends, allowances, tuition fees and book allowances of state scholars, selected among deserving but needy students on the basis of an examination, and beneficiaries of the National Integration Study Grant Program and PANAMIN Educational Assistance Program. The government, through the National Science Development Board, also supports scholars on the undergraduate level and scholars on the secondary level enrolled in the Philippine Science High School. The total number of government supported scholarship is 12,145 distributed as follows: State Scholars, 784; National Integration Scholars, 4,871; PANAMIN Scholars, 501; NSDB Scholars (Collegiate), 286; Philippine Science High School Scholars, 703; and the President Ferdinand Marcos—College Scholarship Grant, 5,000.

In addition, 3,634 students have been helped to get a college education through the Study Now Pay Later Plan. Under this Plan, poor but deserving students can get loans to cover expenses for tuition, books, allowances, and board and lodging. This loan is payable on very easy installments after the student has graduated and has found employment. All the beneficiaries of this plan have hailed it as an enabling factor for their acquirement of higher education.

This Program is funded by financial institutions like the GSIS, the SSS, the PNB, the Land Bank and the DBP.

The Department of Education and Culture, through the National Scholarship Center, also undertakes activities for the efficient operation of the program. Among such activities conducted last year, for example, were: The construction, development and printing of test booklets for the State Scholarship and NI tests; the administration of tests to a total of 11,523 applicants; assistance in securing housing accommodation for scholars; follow-up and system of checking attendance of scholars and grantees enrolled in 64 colleges and universities in Metro Manila; Distribution of information booklets on the scholarship program for the benefit of those who may not know of the program, and Job-placement assistance project for graduated scholars.



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